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## **Initiative Filed To Take Away Oil, Gas Tax Breaks**

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**By Steven K. Paulson, AP Writer**

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DENVER (AP) — A foundation for education reform filed an initiative Wednesday that would take away a big tax break for oil and gas drillers and spend the extra money on higher education and local communities hurt by the state's energy boom.

Supporters said the proposal could generate an additional \$200 million a year.

Tony Lewis, executive director of the Donnell-Kay Foundation, which supports education, said Colorado gives the drilling industry a tax break other state's don't offer, allowing companies to deduct their local property taxes.

"Our state's severance tax is unreasonably low. Local communities are being hit hard by the rapid growth of the oil and gas industry. They need resources to be able to mitigate the impact of this growth. And by dedicating some of the increased revenue to colleges and universities, the whole state will benefit for decades to come by investing in its future," Lewis said.

Lewis said neighboring states have created trust funds to provide a dedicated revenue source that allows schools to weather economic downturns more easily.

Colorado has an effective tax rate -- all revenue coming from severance, property, income and sales tax -- of 5.7 percent for oil and natural gas producers. Under the initiative, the effective tax rate for oil and gas producers in Colorado would be closer to the tax rates of neighboring states such as New Mexico (9.4 percent), Oklahoma (7 percent) and Wyoming (11.2 percent).

The proposed initiative would eliminate a tax credit that currently allows natural gas and oil producers to deduct 87.5 percent of their tax owed to the state of Colorado. It also would remove an exemption that currently allows 95 percent of all oil wells and 73 percent of all natural gas wells in Colorado to avoid paying state taxes, and it would cut the severance tax rate from 5 percent to 4.85 percent.

Environmentalists have introduced four ballot proposals to increase the taxes paid by the oil and gas industry as they seek to build support for a statewide campaign.

The coalition, which includes Trout Unlimited, Environmental Defense, The Wilderness Society and others, wants to use the estimated \$200 to \$300 million the proposed hikes could generate to boost renewable energy, protect wildlife habitat and help communities impacted by the boom.

Meg Collins, president of the Colorado Oil & Gas Association which represents the industry, said it's ironic the discussion continues at a time when several independent economists report that one of the primary drivers keeping Colorado from entering a recession is the natural gas and oil industry.

"Colorado's current tax policy is uniform and equitable and, most importantly, locally focused, which is a good thing, as it allows local governments the ability to collect taxes at the local level where the dollars directly benefit the communities in which we operate," Collins said. "This initiative is bad for Colorado businesses, bad for Colorado residents and bad for Colorado communities. It will hurt hardworking Colorado families and the local communities where they live."

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