



News Release

Obama Proposes To Repeal Percentage Depletion

President Obama's proposed changes to eight oil and gas tax provisions in the federal budget for 2011 will have a \$50 billion price tag on it for Texas over the next 10 years, according to an analysis of the tax changes by the Texas Alliance of Energy Producers.

The Congress will be reviewing Obama's tax proposals. All tax provisions must originate in the House Ways & Means Committee. By abolishing seven tax provisions and adding a new excise tax to oil and gas produced in the Gulf of Mexico, he will generate some \$31 billion to pay for research and development of wind and solar energies.

The tax code changes will hurt small, independent producers and leave so-called Big Oil untouched.

In a study, the Texas Alliance of Energy Producers estimated that approximately 71,000 Texans will lose their oil and gas jobs if the repeal of tax provisions becomes law. Currently, 209,900 Texans work in the exploration and production sector of the industry. By the end of Obama's term of office in 2013, only 138,000 would be employed.

The Alliance study revealed that 1,132 million barrels of crude oil will be prematurely plugged in the U.S., resulting in more than \$79 billion going to foreign countries to pay for additional petroleum imports that could have been paid to U.S. producers and enhanced the U.S. economy and paid billions of dollars in taxes to local, state and federal governments.

Additionally, the State of Texas will lose more than \$3 billion in sales, property and severance taxes. The state's Permanent University Fund, which helps fund the University of Texas at Austin system and the Texas A & M system, and the Permanent School Fund, which provides funding for public schools, will lose approximately \$1.25 billion in royalties, lease bonuses and other revenues during the first 10 years of implementation, or an average of \$125 million each year.

"Overall, the negative economic impact to the State of Texas alone would be about \$50 billion over the next 10 years," the study noted.

For a complete list of the tax proposals, go to www.texasalliance.org and click on "Government Relations" and click on "2011 Tax Proposals."