

POLICY POSITION

1. CRUDE OIL WINDFALL PROFITS TAX ACT OF 1980

The Southern Legislative Conference and the Southern States Energy Board have long been concerned with the United States' level of dependence on imported energy supplies. A decade after the Arab oil embargo, the U.S. still imports more than 30 percent, or about 5 million barrels per day, of the petroleum it consumes. The potential threat to our economy and national security posed by a cutoff in foreign oil is enormous. Rapid progress toward energy self-sufficiency remains essential to the nation's strategic and economic interests.

In order to minimize the nation's dependence upon foreign sources of oil every effort should be made to increase domestic supplies of energy. Those public policies which impeded efforts to increase domestic production should be removed.

Since the enactment of the Crude Oil Windfall Profits Tax in 1980 more than \$59 billion has flowed from the energy producing states, primarily in the South and southwestern United States, to the federal treasury. Although this enormous amount of money is regarded by the U.S. Congress as though it were general revenue, it is in fact an onerous tax on a vital U.S. industry. Rather than a tax on profits, the Windfall Profits Tax is a federal excise tax imposed on all production of crude oil. The imposition of this tax is a major disincentive to exploration and production efforts in this country and serves to remove large amounts of potential reinvestment capital.

Recommendations

In order to provide a major source of reinvestment capital to an industry vital to this nation's security and economic activities, the Southern Legislative Conference calls upon the United States Congress to repeal the Crude Oil Windfall Tax Act of 1980. SLC also calls upon Congress to resist imposing new taxes on the production of domestic sources of energy.

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