



LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION

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Oil and Gas Processing Tax

The processing tax is not a tax on foreign oil. It is a tax on the people and businesses of Louisiana. The tax is unconstitutional. It cannot be passed on to out-of-state customers. It will hurt the state. It will send investment dollars and jobs elsewhere. It will raise the cost of gasoline, diesel, utilities, transportation and anything that is made from or moved by oil and gas. It is a very bad idea.

Reasons to Oppose

- ❖ The tax will not be paid by foreign countries or out-of-state customers. Louisiana does not have the ability to tax foreign governments. Out of state customers do not have to buy Louisiana gasoline. There is enough import capacity from other countries to displace much of the gasoline made in Louisiana.
- ❖ It would be unwise for the state to put all of its economic eggs in the proverbial single basket. The state's revenue source must be diversified and the state has done a good job over the past years of doing this. Petroleum revenues are an important part of the mix, as are chemicals, manufacturing, tourism, gaming and the film industry. If this tax had been in place when Hurricane Katrina hit and shut down the Gulf of Mexico, the state revenue source would have been devastated.
- ❖ Mr. Campbell claims that out-of-state people will pay the tax, but then he says the industry must pay. What is it going to be?
- ❖ The latest version of this tax calls for a 6 percent tax on oil. At \$63 a barrel the tax would be \$3.78. If you accept Mr. Campbell's claim that the tax can be divided evenly on all petroleum products and passed on out of state, the price of gasoline will increase by 9 cents per gallon.
- ❖ If the assumption is made that all of the tax will be paid in Louisiana and not passed on to out-of-state customers, the increase cost of gasoline would be \$1.25 per gallon. (\$5.5 billion projected revenues, multiplied by 46 percent to represent gasoline production then divided by 2 billion gallons of LA gasoline consumption.) Even if some of the tax can be passed on, the increase cost to the Louisiana consumer could be staggering.
- ❖ The state of Louisiana has over the years encouraged oil and gas operations in Louisiana as well as the construction of chemical plants. The processing tax says that "we have you and now we are going to tax you excessively." This sends a very bad message to others looking to invest in Louisiana such as steel plants, new refineries and other ventures.
- ❖ The state, as a result of Congressional action, will soon be getting a share of the offshore revenues and that amount will grow over time. How is the rest of the nation going to react to Louisiana trying to tax people in other states, when it is already getting a bigger share of offshore revenues?
- ❖ The tax is unconstitutional. Louisiana does not have the authority to tax foreign countries. The tax interferes with interstate commerce. If approved, the tax will be tied up in court for years. There will be no immediate benefit.
- ❖ A lot of promises have been made as to how the money would be spent, but past versions of the bill have only authorized the Legislature to enact the tax. There are no guarantees as to how it will actually be spent.
- ❖ This tax has been rejected by the people. Two other candidates in previous gubernatorial races used the processing tax as their platform. Both were defeated. The tax has come up for a vote in the state Senate on two occasions. It never received a simple majority, let alone the two-thirds needed for passage.

This tax has been debated for hours in House and Senate committees and on the floor of the House. It has been debated on radio talk shows and in the newspapers. The tax will harm the state, the industry and most importantly the people. It is a very bad idea.