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## Tax Oil Companies Pay

Just how much tax do oil companies pay? Exxon Mobil says they pay a lot. But the Center for American Progress (CAP) says they effectively pay less than half the 35% corporate companies in the US pay; and in fact in 2009, they did not pay any federal income tax at all according to their filings with the Securities and Exchange Commission.

The difference lies in how you count. Exxon Mobil counts every kind of tax – not just income tax – namely local property taxes, state taxes, gasoline taxes and payroll taxes. But the CAP and other analysts count only the company's federal corporate income tax. Yet the CAP contends that Exxon Mobil's tax rate is less than the average American taxpayer's. The company's 2010 tax rate was 17.2%. Most Democrats in Congress and the Obama administration want to lessen or end the tax breaks or tax benefits of oil companies. These tax benefits have saved substantial amounts of money for the oil giants but have limited the amount of tax revenue the government receives. Some of these benefits include a tax break that has trimmed the corporate tax rate for manufacturers since 2004, oil-depletion allowances that all but the biggest firms use to recover drilling costs (sometimes they even make a profit out of those costs) and the expensing

of “intangible” drilling costs at a rate higher than that used by most non-oil companies to recover investment costs.

All these benefits have been used to boost the oil industry by increasing investments and resulted in the industry being one of the most profitable in terms of ROI and cash flow. The spike in oil prices have added to the bottom line of major oil companies and intensified the debate over whether these tax benefits should be continued.

The petition to limit or abolish the tax benefits for oil companies is not new. In 1984, the Reagan administration abolished some of the benefits but they were never passed into law. Subsequently, some tax breaks were limited.

The major oil companies like Exxon Mobil have not qualified for the depletion allowance since the 1970s, but other large oil companies known as independents still do.

Exxon Mobil declares that it earns only 9 cents on every dollar in sales, a number that is about half (or less) of what companies in pharmaceuticals or computers make, according to Kenneth Cohen, Exxon Mobil Vice President for Public Affairs.

Top executives from 5 major oil companies met with a Congressional Committee recently on this issue. Results of that discussion have yet to be made public.