

7/28/2022

Dear Senators and Representatives,

We, the undersigned organizations representing a broad spectrum of Americans, write to provide our insight on recent proposals in both the House and Senate regarding “Windfall Profits Taxes” on the oil and gas industry.

It is no secret that in the last year alone the price of gas for consumers has soared to record highs, recently topping five dollars per gallon nationally for the first time in history. According to data from AAA, the national average price of gas is \$4.33 as of July 26, which is still \$1.17 more than it was last July.

These record prices have been caused in part by domestic policies that have restricted the production of oil and gas. At the same time, the demand for oil and gas across the globe has increased. As such, it is understandable that Congress and the Biden administration would want to alleviate the strain these high prices cause everyday Americans.

In recent weeks, multiple proposals have been introduced in the House and Senate that seek to impose a windfall profit tax on the producers of oil and gas. This includes the Big Oil Windfall Profits Tax Act, which was introduced by Sen. Sheldon Whitehouse and Rep. Ro Khanna. This proposal would tax fifty percent of the difference between the current price of Brent crude oil and the average price from 2015 to 2019 (inflation adjusted after 2022). The tax would be imposed on both domestic production imports, and would be limited to firms that produced or imported an average of at least 300,000 barrels per day.

Additionally, National Economic Council Deputy Director Bharat Ramamurti said that the White House is considering proposals that would tax oil and gas windfall profits to provide a benefit to consumers struggling with higher energy prices. The supposed benefits of such a tax hardly outweigh the negative impact it would have on the economy. According to the Congressional Research Service report entitled [Crude Oil Windfall Profits Taxes](#), such proposals would allow for rebates of just \$240 for single filers and \$360 for joint filers.

History has shown that a windfall tax is bad policy that would have a devastating effect on the supply of oil in the United States. The US implemented a windfall tax on US oil from 1980 to 1988. According to a [report](#) by the Congressional Research Service, this tax reduced domestic oil production by at least 320 million barrels and at most 1.3 billion barrels. This drastic drop in domestic supply increased oil imports and made the US more reliant on foreign oil producers. Today, foreign oil cannot meet our current needs as globally demand has risen. Implementing this tax now would reduce supply and increase prices, the exact opposite of its desired outcome.

If the Biden administration and Congress are serious about reducing gas prices, they should avoid levying punitive taxes on the industry and instead push for measures that will increase production and supply and inevitably lower prices. If we impose a windfall tax on oil producers, the US will produce less oil, not more, driving the price up for consumers and exacerbating oil supply constraints globally, while potentially forcing our foreign allies to utilize Russian oil.

There are several measures that Congress can take to resolve increased gas prices without implementing Windfall Profits Taxes on the oil and gas industry. Lawmakers should consider taking the following actions:

- Opening our diverse resources on federal lands.
- Approving responsible exploration and production.
- Supporting sustainable and expedited permitting.
- Working closely with industry to alleviate constraints on the supply chain and input materials in order for domestic oil production to increase.
- Increasing the building out of more energy infrastructure.
- Rescinding policies that block the development of and access to new supply, such as:
 - The Keystone XL pipeline.
 - ConocoPhillips Alaska oil drilling project that could produce up to 629 million barrels of oil, furthering America’s energy independence and increasing supply significantly over the next 30 years.

Our organizations agree that making progress on the oil and gas crisis is possible if Congress and the Biden administration focus their efforts on increasing supply rather than raising taxes. Implementing failed policies like Windfall Profits Taxes would only increase costs to taxpayers while ensuring gas prices remain high. We thank you for your consideration.

Sincerely,



National Taxpayers
Union



60 Plus Association



ALEC Action



American Commitment



American Consumer
Institute



American Energy
Alliance



Americans for Limited Government



Center for Food, Power, and Life (A project of the John Locke Foundation)



Center for a Free Economy



Center for Individual Freedom



Club for Growth



Committee for a Constructive Tomorrow



Competitive Enterprise Institute



Consumer Choice Center



Consumer Action for a Strong Economy



Council for Citizens Against Government Waste



FreedomWorks



Frontiers of Freedom



The Heartland Institute



Heritage Action for America



Institute for Liberty



Pacific Research Institute



Pelican Institute for Public Policy



Roughrider Policy Center



Small Business & Entrepreneurship Council



Taxpayers Protection Alliance