



October 9, 2008

If enacted, Amendment 58 on Colorado's November ballot will have substantial negative consequences for the state and its citizens. By raising taxes on oil and natural gas production, the initiative would have the effect of raising energy prices on consumers and discouraging growth in Colorado's economy.

Colorado is an energy-rich state, particularly when it comes to natural gas. This should be a time of expansion and investment in the state's energy infrastructure, yielding benefits for all Coloradans through more plentiful energy and quality jobs. Amendment 58 threatens these desirable developments by resorting to a vengeful tax hike.

The initiative's supporters seem to suggest that this punitive tax will somehow redress record profits of oil and gas companies, but the ultimate effect of Amendment 58 is to double the tax rate on oil and gas production in Colorado. According to one study, Amendment 58 would cause Colorado's oil and natural gas projects to suffer the second-highest production tax burden among top energy-producing states. In their quest to extract money from oil and natural gas companies, initiative sponsors are ensuring higher prices for the energy Coloradans need.

Taxing an activity, by its nature, generally decreases that activity. If history is any lesson, enacting Amendment 58 would cause state production of oil and natural gas to decrease, meaning imports will have to make up the difference. Just as important, this tax hike would discourage new investments in oil and natural gas production.

Despite claims to the contrary, the burden of any tax falls squarely on the shoulders of consumers, workers, and shareholders such as retirees or mutual fund investors. We can safely predict that this measure will cause reduced state oil and gas production, fewer economic opportunities, increased reliance on imports, and higher energy prices.

If Colorado policymakers want to pursue a sound energy policy, they ought to keep taxes low and reduce government interference in the markets that are capable of delivering innovative energy solutions to consumers. Attempts to punish successful industries and redirect money to programs favored by politicians have failed to solve our energy problems in the past, and there's no reason to think this effort will be any different.

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