

# Nixon Bows to Oil Depletion Reform

By Jack Anderson

In the matter of oil privileges, President Nixon has seen the handwriting on the voting-booth wall. Letters have been flooding into the White House and Congress from angry taxpayers denouncing the 27½ per cent oil depletion allowance. Result: the President has instructed his legislative aides to keep out of the depletion debate.

This will come as a rude awakening to the oil tycoons who contributed heavily to the GOP cause after getting Richard Nixon's assurance that the 27½ per cent oil write-off was sacrosanct with him.

He laid down the law to his own tax reformers that he wanted no change in the oil depletion allowance. The full 27½ per cent was necessary, he told them, to encourage investors to risk the high cost of drilling for oil. On this point, he said, his mind was made up.

He has now decided, however, not to resist the taxpayers' rebellion on Capitol Hill. In the back rooms of Congress, White House aides had argued against an oil depletion cut. Maryland Congressman Rogers C. B. Morton, the cherubic GOP national chairman, led the closed-door fight against the cut to 20 per cent. But the President, heeding the public mood, has now called off the opposition.

For the oil industry, the assault on their cherished tax loophole has been a traumatic

experience. The oil depletion statute had always been regarded as holy writ by the tax-writing House Ways and Means Committee.

The late Speaker Sam Rayburn had thoughtfully loaded the committee with oil loyalists. No one was admitted to this select circle who couldn't give Rayburn the right answer to one question: "Do you favor the oil depletion allowance?"

The oil industry ensured their loyalty by contributing heavily to their political campaigns. Both Democrats and Republicans are deeply indebted to the oil barons who spend an estimated \$50 million a year to subsidize politicians and publicize the imaginary distress of the oil industry.

## Ungrateful Congressman

Oilmen were stunned, therefore, over the 7½ per cent depletion cut by the faithful Ways and Means Committee. When Chairman Wilbur Mills suggested a token reduction to appease the taxpayers, the Petroleum Institute's Frank Ikard lectured Mills on the inviolability of the 27½ per cent allowance. The oil lobbyist warned sternly that the tax exemption couldn't even be whittled down half of one per cent without injuring the industry.

Mills continued to believe that his oil friends' interests would best be served by offering the taxpayers a token reduction. He suggested a cut from 27½ per cent to 23 per cent.

It was no less than Hale Boggs, the Congressman from the oil state of Louisiana, who demanded a deeper cut to 20 per cent. He cast the decisive vote inside the committee in beating down, by a 13-12 margin, the lesser 4½ per cent cut.

On the subsequent House roll call over tax reforms, 26 of the 30 Congressmen who voted against the bill came from the oil states of Texas, Oklahoma and Louisiana. Boggs was the only Louisianan who voted for the reform bill.

Nor was this the first time that Hale Boggs has shown courage. Though a Southerner he also helped lead the fight on the House floor for civil rights.

Now the oil lobbyists are counting upon Senate Finance Chairman Russell Long, their champion in the Senate, to save the 27½ per cent oil depletion allowance. They have boasted, privately at least, of a deal to get the Senate to restore 2½ per cent of the House cut. The lobbying effort is directed by Ikard and by Dan Jones, Washington counsel for the Independent Petroleum Association.

Actually, the 7½ per cent cut would still leave the oil industry with more tax privileges than any other industry. Last year, for example, manufacturing corporations paid 40 per cent of their pretax earnings in Federal taxes. Oil companies paid only 11 per cent,

and this was an all-time high. It used to be only 4 per cent.

In 1967, Atlantic-Richfield paid no Federal income tax at all on profits of nearly \$139 million. Standard Oil of California paid only one per cent on earnings of a half billion dollars.

Liberals in Congress believe the oil depletion allowance should be slashed at least another 5 per cent. This would still leave the oil industry with other tax loopholes. Even bigger than its depletion tax break is an allowance to write off in one year the intangible costs that other industries must spread over several years.

It will be interesting to watch the outcome of this classic battle between the public interest and a powerful private interest.

## Space Notes

President Nixon quietly vetoed suggestions that Russian cosmonauts be invited to the Presidential dinner for American astronauts. The President felt the invitation should be saved until the cosmonauts could be given the full red-carpet treatment . . . Republican leaders have urged Astronaut Frank Borman, who commanded the first manned flight around the moon, to run for Congress. He can claim residence in at least three states. As yet he hasn't made up his mind.

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