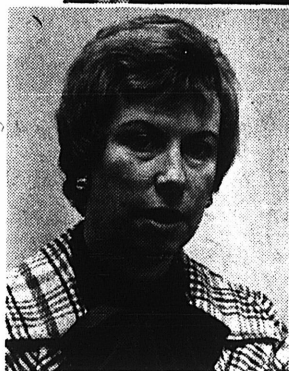


Let's talk...

about who pays all taxes.



Elaine McIntyre,
Alaska Operations
Staff Assistant,
Exxon USA

Q *As an Alaskan property owner and wage earner, why shouldn't I support higher taxes on the oil industry in the interest of keeping my own tax burden at a minimum?*

A Because consumers ultimately bear such higher costs. Taxes on a business, like the cost of raw materials and labor, are part of the price the customer eventually pays. Of course, federal price controls on U.S. oil have distorted the normal competitive system so that some tax increases might not be passed directly or immediately to the consumer. When such tax increases reduce oil company profits, however, they indirectly harm the consumer since reduced profits mean less income to reinvest in the search for additional oil and gas supplies. In the long run, this means reduced supplies, higher prices and fewer jobs.

Q *But if much of Alaska's tax revenue comes out of oil company profits or, long term, is paid by consumers in other states, that doesn't have much of an effect on me, does it?*

A It might seem that way at first glance, but a sock-it-to-them attitude could not only discourage potential investors in Alaskan ventures but also cause repercussions from other states, and could result in a variety of retaliatory responses on the part of Congress and the federal regulatory agencies. Tax proposals which are unreasonable and discriminatory toward other states, and which are not related to the realistic needs of the Alaska state government, are fundamentally unfair and not in the best interests of Alaskans or the nation as a whole.

Q *How can a state determine if its taxes on a certain product or business are "reasonable?"*

A One way is to compare the state's tax rate with the tax rates on the same product or business in other states. If a state's tax rate already is near the top of the list, it could be counterproductive to seek further increases. According to a recent poll, most Alaskans believe that Alaska's oil and gas taxes should be in the middle range among other states. Alaska oil and gas taxes, however, are already at the top compared with all the other major producing states.

Q *Some state has to have the highest oil taxes. Why not Alaska?*

A Alaska already has the highest oil and gas operating costs due to its harsh environment and its remote location. Having the highest taxes gives Alaska a double disadvantage that could discourage oil and gas exploration or make development and production of some discoveries economically unattractive. In the long run, this could mean fewer jobs for Alaskans and less revenue to the state.

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