Colleges Seek Oil Severance Tax Increase

Gazette

12-18-~~38~~

Arkansas's institutions of higher learning apparently will look to a proposed increase in the severance tax on oil for sorely-needed revenues to meet expanding enrollments.

It has been proposed to Governor Bailey that the state's 2.6 per cent severance tax on oil be equalized with those of Oklahoma, Louisiana and Texas, at 7.2 per cent.

George C. Branner, state geologist, estimated at a meeting of presidents of the state's colleges yesterday that the increase, during the calendar year 1938, would have netted the state an increase of $751,206.24. Dr. Branner has said he would ask, for the Geology Department, one-tenth of one per cent of the increased revenue, for a specified purpose.

Presidents of the state's institutions of higher learning conferred in the governor's reception room at the capitol on division of the revenues if the legislature should approve the bill for equalization of the levy with the surrounding states.

Would Aid Other Agencies.

Governor Bailey has cited several times the necessity for supplying additional funds for administration of the University of Arkansas, enrollment in which has increased greatly, while appropriations have dwindled during recent years. It will be necessary, also, the governor and others have reported, to secure additional money for the university's Medical school, if it is to retain its approved rating by the American Medical Association.

Administration leaders indicated that should the additional revenues be secured through an increase in the severance tax on oil, at least small parts of the new funds would be ear-marked for agencies other than schools.

Arguments have been offered that appropriations for advertisement of the state's natural resources and scenic beauties should come logically from taxes levied on a natural resource such as oil. It was reported the governor had approved a proposal that a small percentage of the possible new revenue be made available to the Publicity Commission for use in advertising the state's advantages.

1938 Revenue Increases.

It is expected also that the state's Agricultural and Industrial Commission, which with the governor is charged with the administration of Amendment 29 to the constitution, adopted at the November general election, will seek a portion of the severance tax money.

Under the amendment the commission is empowered to seek to attract new industries into Arkansas, and to contact with them for exemption from taxes for periods up to 10 years. Commission officials have not completed a series of conferences with Comptroller J. O. Goff on a budget for the work.

The state netted $287,152.56 in 1937 on the 2.6 per cent severance tax on oil. Dr. Branner has estimated 1938 revenues from the source will be about $424,599.

Severance Tax Hike Proposed To Aid Schools

12-26-38

Educators Meet With State Geologist to Discuss Increase in Levy.

Distribution of approximately $750,000 which would be raised through a proposed increase in the severance tax on oil was discussed at a meeting at the capitol yesterday attended by heads of 12 colleges in the state.

The officials decided to meet here again at 10 a. m. Tuesday, the conference to be held at the McGehee hotel.

Dr. George C. Branner, state geologist, who presided over yesterday's session, said the $750,000 could be raised through increasing the state's severance tax from 2.6 per cent ad valorem to 7.2 per cent. He said this increase would equalize the Arkansas tax with levies now collected in Oklahoma, Louisiana and Texas.

The 2.6 per cent tax will produce an estimated $424,599 this year, he said. Of this tax, one-tenth of one per cent goes to the geologist fund and the remainder is distributed two-thirds to the common school fund and one-third to the counties in which the tax is collected.

Dr. Branner said estimates of the total collections under a tax of 7.2 per cent range up to $1,175,805, an increase of about $750,000. It has been proposed that this amount be distributed to the state-owned colleges and university to make sufficient funds available due to increased enrollment.

Schools represented at yesterday's conference included the University of Arkansas and its Medical School, the Monticello A. and M. College, Magnolia A. and M., State Teachers College, Arkansas Tech, Arkansas State College at Jonesboro, Henderson State Teachers College, Beebe Junior Agricultural College, State Vocational Training Schools at Clinton and Huntsville and the Arkansas A. M. and N. College (negro) at Pine Bluff.

Much Interest In Severance Tax Proposal

Gazette

12-26-38

Pre-session discussions of a proposed increase in the Arkansas severance tax on oil from 2.6 to 7.2 per cent has developed two principal contentions:

1. That such an increase would give state-supported colleges their biggest financial boost since pre-depression days.
2. That the increase would work a hardship, perhaps to the extinction of many, on the so-called "stripper" producers in the oil field areas, unless special provision should be made for type of producer.

Governor Bailey announced several days ago that such an increase had been proposed with the colleges, common school fund and the Welfare Department to share equally in the increase.

The common school fund gets two-thirds of the tax with one-third going back to the producing county to be used equally on county roads and schools. No change in the distribution of the 2.6 per cent severance was suggested, only the distribution of the increase being mentioned.

During the first 11 months of 1938, Severance Tax Supervisor E. R. Richardson reported that oil severance taxes amounted to $385,870.65 of the entire $513,855.52 collected from all severance sources.

$734,878 Involved.

State Geologist George C. Branner estimated the increase on the oil severance levy would be $734,878.73, thus giving the colleges an annual added revenue of nearly $250,000.

Memoranda on how the colleges would benefit from the increase have appeared in offices at the statehouse. The original proposal included provisions for the colleges to obtain benefits on a percentage basis. Since the memoranda appeared, leaders from most of the colleges conferred and there has been much correspondence on the matter.

Dr. Branner said college leaders had agreed that the bill—as far as they were concerned—should provide for distribution to their institutions on a ratio system based on present revenues each receive from the ad valorem tax.

Great Aid to Schools.

Disclaiming sponsorship of the measure by his department, state Education Commissioner Tom Alford asserted the extra revenues to the colleges would benefit them immeasurably, afford them funds for needed expansion to take care of greatly increased enrollments, allow them greatest financial freedom since the pre-depression era and supplement sums—now coming from special student fees and other sources—for purchase and replacement of equipment.

"Take a college that has been receiving roughly $80,000 annually and give it an additional $20,000—or even $10,000—and you could see of what help that addition would mean," Alford said. "It would give that school a financial latitude that would mean everything in its successful operation."

Opposition Inevitable.

Opposition to the proposed measure has appeared, one person calling Governor Bailey from El Dorado to file a protest. In effect the measure would have the few oil producing counties contributing heavily to the colleges—as well as the common schools and Welfare Department.

For the bill to become effective, it would have to pass both houses of the General Assembly by a three-fourths majority.

New Taxes Protested By Oil Dealers

1-17-39

1-17-39

Gaz~~ette~~

The Oil Dealers' Association of Arkansas protested yesterday proposed bills before the General Assembly which would impose added taxes or license fees on motorists, saying that the state now has laws calling for sufficient revenue to operate the necessary functions of government if these laws are efficiently administered.

Tax Proposals Listed.

It listed the following proposals that have been advanced which it said would impose added burden on the motorist:

1. Increase in the state gasoline tax from 6 1-2 to seven cents.
2. Increase in the severance tax on production of oil from 2.6 to 7.2 per cent.
3. New ad valorem tax on oil royalties or leases.
4. Certificate of title bill, which provides for the title of each automobile being registered by payment of a $1 fee.
5. Increase in the driver's license from 35 cents to $1 a year.

Taxes Already Heavy.

"In view of the fact that 240,000 motor vehicle operators paid a total tax bill of $13,600,000 in 1938, the total of the new additional taxes approximates $2,000,000," the association said.

"This figure, added to the present taxes being paid by the motorists, would approximate $15,730,000. This is in addition to the sales tax on automobile tires and other accessories paid by the motorists which total over $600,000, as well as all federal levies on gasoline, lubricating oil and automobile accessories which total over $2,000,000 per year."

The association said Bureau of Commerce estimates that the Arkansas sales tax, based on the volume of retail business done in the state, should approximately $2,000,000 more than the amount now being collected.

"Many cases of where the gasoline tax, cigarette tax and other levies are not being collected have been reported," the group said.

Dr. Branner said chief opposition to the measure would come from small producers who strip non-flowing oil wells. These producers, he pointed out, are operating on a "margin," their production sometimes being small.

To offset this opposition a suggestion has been made, Dr. Branner said, to fix the increase on a per well basis in such a way that the bulk of the tax would be borne by extensive producers—touching the strippers lightly if at all.

"As in all industries, the oil industry has many small operators working on a margin," the geologist said. "It would mean that some would be forced out of the picture when the tax is applied unless the bill provides for them in some way. Yet, the present severance tax is far below that of our neighboring oil producing states."

PLAN PROPOSES BIG SEVERANCE TAX INCREASES

Proposal Condemned by Officials.

GAZETTE 5-1-40

An initiative petition that state officials and civic leaders said would wreck industrial development of Arkansas if adopted at the 1940 general election was distributed in the state yesterday.

It would:

1. Add a five per cent severance tax to existing levies on production of natural resources, except in certain cases where the tax would be higher.
2. Declare hydro-electric power a natural resource and tax the producer at the rate of one-half cent per kilowatt hour. There is no severance tax on hydro-electric power now.
3. Tax producers of natural gas an extra five cents per 1,000 cubic feet. This would 75 times the present rate.
4. Levy a new tax on producers of oil at the rate of 10 cents per 55-gallon barrel, or 4.5 times the existing tax.
5. Increase the tax on sand and gravel producers two cents per cubic yard, or slightly more than the present rate.
6. Distribute the proceeds on the basis of 60 per cent to the state common school fund and 40 per cent to the state Welfare Department.

On the basis of minerals produced and hydro-electric power generated in 1938, the new tax would return $3,957,397, compared to $493,795.86 actually collected. These figures do not include the severance tax on timber.

Sponsors of the petition were unidentified. Copies were received by officials of the Arkansas Power and Light Company, the Arkansas State Chamber of Commerce, state officials and oil and gas companies.

The present severance tax is a 2.6 per cent ad valorem levy at the point of severance on all minerals except coal and manganese. The tax on coal is one cent a ton. On manganese it is 10.1 cents a ton. The timber tax is seven cents per 1,000 board feet.

Probable Return As Of 1938 Production.

The proposed tax, as applied to 1938 production, would produce:

Product.	New Tax.	Present Tax.
Petroleum	$1,803,310	$426,970.84
Hydro-electric power	600,000	——
Natural gas	1,027,856	17,061.64
Sand and gravel	21,278	16,663.15
Other minerals.	504,953	33,100.23
Totals	$3,957,397	$493,795.86

The new tax would be in addition to the present schedule.

It was pointed out that the tax on sand and gravel varies according to several factors. In some cases the new tax would be 26 times the present one.

H. K. Thatcher, executive director of the state Agricultural and Industrial Commission, said the proposed act, if adopted, would "nullify every action of this department in its effort to develop industry in Arkansas."

Arkansas Receiving Tidy Sum From Mineral Leases on State Lands. Tax Records Reveal

Democrat 9-28-41

Although Arkansas is just now preparing to cash in on the mineral rights on land to which the state has obtained title through tax forfeiture, records of the severance tax division of the State Revenue Department disclose that for a number of years, the state has been collecting a tidy sum annually from leases of a little known mineral right.

Under the 1939 land policy act, mineral rights on all tax-forfeited land remains in the state. A 1941 act provides a method for exploiting such rights through lease of the rights under control of the Land Use Committee. The first of such leases probably will be signed this week.

But they will not be the first leases of state-owned mineral rights. Although little publicized, the state for a long period has been doing a profitable business in leases of mineral rights on navigable streams.

Last year, such leases produced $24,520.07, which went to the support of the State Geologist Department.

Sand and Gravel Leases.

The most lucrative leases are those for sand and gravel, according to E. R. Richardson, who recently was transferred from the Severance Tax Division of the State Revenue Department to the State Geologist's office.

The principal contributor from that revenue source is the Cotton Belt railroad which operates a lease on the Ouachita river near Camden and pays the state royalties that average in tre neighborhood of $1,500 monthly. Sand and gravel taken from the lease is used extensively over the system.

Other major sand and gravel leases include the Big Rock Stone and Material Company, which holds a lease on about four miles of the Arkansas river bed at Little Rock, and the Pine Bluff Sand and Gravel Company, which holds a similar lease at Pine Bluff.

For a time the state collected royalties on a coal mine beneath the bed of the Arkansas River in Franklin County. Revenue from that source ceased, however, when the mine was condemned last year because the roof was so near the river bed.

While several oil and gas leases have been granted in the river beds, only two wells were ever drilled, according to Mr. Richardson.

They were started in the Red River, he said, but neither was ever drilled to any great depth.

Speculation Barred.

A former practice of leasing river beds for speculative purposes in blocking out acreage for wildcatting operations has been prohibited by the Revenue Department. The leases expire at the end of one year if there has been no production started or attempted, and the department has adopted the policy of refusing to make a lease unless it is reasonably sure that the lessee intends to begin production.

The act which provides for leasing mineral rights in beds of navigable streams, fixes a flat price per cubic yard on sand and gravel, and a one-eighth royalty on oil and gas.

The 1941 act permitting leasing of mineral rights on tax-forfeited land is an amendment to the navigable stream bed leasing act, but it gives prior control of such leasing to the Land Use Committee.

Two applications for leases of such mineral rights are now under consideration by the Land Use Committee. A sub-committee of the group conferred with the Oil and Gas Commission recently regarding such leasing.

Claude Rankin, chief appraiser for the committee, said that while leases in proven territory had a cash value in addition to the royalty interest, the two leases now under consideration were in strictly "wildcat" territory and probably would be granted for the minimum royalty.

Should there be production, he pointed out, the state's mineral rights on other land in the area might take on the added value of land in proven territory.

Severance Tax Collections On Increase.

Gazette ~~11~~-27-41

Defense demand on Arkansas raw materials is stimulating severance tax collections, the state Revenue Department reported yesterday. Collections have increased steadily from $58,930 in January to $77,905 in October.

Department officials said the January collections were about normal but demands for natural resources picked up before spring and have increased each month since.

Principal sources of severance revenues are timber, on which seven cents per 1,000 feet is collected; sand, gravel, oil, bauxite and cinnabar, on which 2.6 per cent of the market price at the point of severance is collected.