

MEMORANDUM

TO: Interested Parties
FROM: Global Strategy Group
RE: Oklahoma Policy Survey Results
DATE: March 2014

Oklahomans Support Ending Drilling Tax Break to Bolster State Budget

Also strong support for “combined reporting” reforms - another potential source of new state revenue

At a time when Oklahoma’s state budget faces a \$188 million shortfall, Oklahoma voters strongly support ending the tax break for horizontal drilling in order to provide more funding for education, public safety, highways and other state needs. A majority also favors using combined reporting reforms to close the loophole multi-state corporations use to avoid paying state taxes on millions of dollars of income. Key findings from Global Strategy Group’s recent poll of 610 registered Oklahoma voters are as follows:

Opposition to horizontal drilling tax breaks remains strong

Nearly two-thirds (64%) of voters oppose providing tax breaks to oil and gas companies who use the horizontal drilling process after hearing short arguments in favor and against them. Less than a third support the tax breaks (28%). These findings are nearly identical to the findings in our April 2013 survey (28% support/65% oppose).

- Large majorities of Democrats (73%) and Independents (75%) oppose providing these tax breaks to horizontal drillers, while a majority of Republicans (51%) also want to end them.
- **Ending the horizontal drilling tax break is a popular idea regardless of voters’ political affiliation.**

OPPOSITION TO HORIZONTAL DRILLING TAX BREAKS

After hearing this, do you support or oppose providing tax breaks to oil and gas companies?

64%
Oppose

Opponents say the tax breaks are just subsidies to oil and gas companies that are already very profitable.

28%
Support

Supporters of these tax breaks say they are needed to promote drilling and economic activity in Oklahoma.

Oklahomans support using the revenue lost to the drilling tax break to fund state services

Nearly two-thirds of voters (64%) want the state to “eliminate the drilling tax breaks in order to provide more funding for education, public safety, highways and other state needs” and only 21% want to “keep the tax breaks for horizontal drilling.” Very few say the revenue should be used to pay for an income tax cut (7%). Support for more funding has increased by 5 points since April 2013 (up from 59%), while there is little change since last year for keeping the tax break (still 21%) or using it for tax cuts (down from 9%).

- Majorities of Democrats (73%), Independents (69%), and even Republicans (53%) want the revenue used for increased funding for state services.

- Those who favor more funding includes a majority of self-described conservatives (53%) and an even larger number of conservative Democrats (67%).

Oklahomans favor closing the loophole many multi-state corporations use to avoid paying state taxes

After hearing arguments in support of and opposed to the loophole that multi-state corporations use to shield their income from state taxes, a majority of voters (52%) say they support the combined reporting tax reform. Only a third (35%) oppose closing the loophole.

- Republicans (55% support) favor the combined reporting reform in greater numbers than either Independents (53%) or Democrats (49%). Even half of all self-described conservatives (50%) are unswayed by a pro-business argument against combined reporting and favor closing the loophole.
- ***Combined reporting has a strong base of support across the political spectrum and can be considered a viable option to help plug the looming budget deficit.***

SUPPORT FOR COMBINED REPORTING TAX REFORM

After hearing this, do you support or oppose adopting this reform to stop multi-state corporations from using out-of-state subsidiaries to decrease their state taxes?

52%
Support
combined
reporting

Opponents say this tax break is a loophole that big corporations use to avoid paying taxes on hundreds of millions of dollars in profits earned in Oklahoma.

35%
Oppose
combined
reporting

Supporters of this tax break say it helps keep Oklahoma business-friendly and prevents companies from moving to other states.

ABOUT THIS POLL

This poll was conducted by Global Strategy Group (GSG) among 610 voters registered in Oklahoma on March 3-6, 2014. The margin of error on this poll is +/- 4.0%. The margin of error on subsamples is larger. GSG is a leading public opinion pollster whose clients include elected officials across the country at all levels of government, major non-profit institutions and Fortune 500 companies.

OTHER QUESTIONS IN THIS SURVEY WERE RELEASED AS PART OF A SEPARATE MEMO

Q1. Are you at least 18 years old and registered to vote at this address [READ ADDRESS]?	Yes	100%
	No	-
	Don't know/Refused	-

Q10. As you may know, Oklahoma currently provides tax breaks to oil and gas companies that use a production process called horizontal drilling. Supporters of these tax breaks say they are needed to promote drilling and economic activity in Oklahoma. Opponents say the tax breaks are just subsidies to oil and gas companies that are already very profitable. After hearing this, do you support or oppose providing tax breaks to oil and gas companies for horizontal drilling?		<u>2014</u>	<u>2013</u>
	Strongly support.....	17%	19%
	Somewhat support.....	11	10
	Somewhat oppose.....	16	16
	Strongly oppose.....	48	49
	VOL: (Don't Know/Refused).....	9	7
		SUPPORT (NET)	28%
	OPPOSE (NET)	64	65

Q11. The cost of Oklahoma's tax breaks to oil and gas companies for horizontal drilling currently exceeds 150 million dollars a year. Which of the following do you think Oklahoma should do?		<u>2014</u>	<u>2013*</u>
	Eliminate the drilling tax breaks in order to provide more funding for education, public safety, highways and other state needs.....	64%	59%
	Keep the tax breaks for horizontal drilling.....	21	21
	Eliminate the drilling tax breaks in order to pay for a cut in the top income tax rate	7	9
	VOL: (Don't Know/Refused).....	9	11

*In 2013, cost of tax breaks was calculated to be \$100 million

Q12. As you may know, Oklahoma allows multi-state corporations to shift profits to out-of-state subsidiaries to decrease their state taxes. Supporters of this tax break say it helps keep Oklahoma business-friendly and prevents companies from moving to other states. Opponents say this tax break is a loophole that big corporations use to avoid paying taxes on hundreds of millions of dollars in profits earned in Oklahoma. Some states have put an end to this tax break by adopting a reform called combined corporate reporting. After hearing this, do you support or oppose adopting this reform to stop multi-state corporations from using out-of-state subsidiaries to decrease their state taxes?		Strongly support	34%
		Somewhat support	18
		Somewhat oppose.....	11
		Strongly oppose	23
	VOL: (Don't Know/Refused).....		13
		SUPPORT (NET)	52%
		OPPOSE (NET)	35

Finally, I would like to ask you a few final questions for statistical purposes only.

P1. No matter how you are planning to vote this year, when it comes to politics, do you generally think of yourself as a strong Democrat, a not very strong Democrat, a strong Republican, a not very strong Republican, or an Independent?		Strong Democrat	24%
		Weak Democrat.....	10
		Independent / Closer to the Democrats.....	7
		Independent	9
		Independent / Closer to the Republicans	12
		Weak Republican	12
		Strong Republican.....	25
	VOL: (Don't Know/Refused).....		2
		DEMOCRAT (NET)	34%
		INDEPENDENT (NET)	29
	REPUBLICAN (NET)	36	
	DEMOCRAT W/ LEANERS (NET)	41%	
	REPUBLICAN W/ LEANERS (NET)	48	

D101. What is your age?	18-29	13%
	30-44	24
	45-54	18
	55-64	18
	65+	24
	VOL: (Refused)	3
D102. What is the last grade that you completed in school?	Some grade school	1%
	Some high school	3
	Graduated high school	21
	Technical/Vocational	4
	Some college	25
	Graduate college	28
	Graduate professional	15
VOL: (Refused)	2	
D105. When it comes to politics, do you generally think of yourself as very liberal, somewhat liberal, moderate, somewhat conservative, very conservative?	Very liberal	6%
	Somewhat liberal	13
	Moderate	27
	Somewhat conservative	28
	Very conservative	23
	VOL: (Refused)	3
		LIBERAL (NET)
	CONSERVATIVE (NET)	50
D900. What would you say is your total annual family income before taxes? Is it less than 20 thousand, 20 to 40 thousand, 40 to 60 thousand, 60 to 80 thousand, 80 to 100 thousand or more than 100 thousand?	Less than \$20,000	12%
	\$20,000-\$40,000	16
	\$40,001-\$60,000	15
	\$60,001-\$80,000	12
	\$80,001-\$100,000	9
	More than \$100,000	15
	VOL: (Don't Know/Refused)	20
Region [FROM SAMPLE]	Oklahoma City DMA - Oklahoma County	19%
	Oklahoma City DMA - Rest	29
	Tulsa DMA - Tulsa County	16
	Tulsa DMA - Rest	20
	Outer Markets	15
Party Registration [FROM SAMPLE]	Democrat	45%
	Independent	12
	Republican	43
Gender [BY OBSERVATION]	Male	45%
	Female	55