

MINUTE ITEM

This Calendar Item No. 51
was approved as Minute Item
No. 51 by the State Lands
Commission by a vote of 2
to 0 at its 12-16-80
meeting.

CALENDAR ITEM

51.

LC 80-21
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12/80

AMENDMENT OF CONTRACT

When Congress enacted the Windfall Profits Tax legislation, its intent was that states should be exempt from paying the tax on their oil income. The State Lands Commission and their staff have been devoting considerable time and effort since the passage of that bill trying to overcome the Federal Treasury Department's interpretations, rulings, regulations, etc. which sometimes seem to run contrary to the Congressional intent. To remedy the future financial impact on the State of California, which possibly could have been as much as a billion dollars under the Contractor's interpretation of the tax liability on the Long Beach tidelands, three steps were required: Two by the Internal Revenue Service, first a ruling against using the tax as an expense in determining "economic interest" as used in the IRS Code, and then a regulation allowing estimating tax payments based on the 90 percent net revenue limitation; and finally a legislative clarification by the Congress of the United States.

To date, our efforts have produced the required ruling and regulation, and a refund of approximately \$13 million should occur this month with additional adjustments and lowered tax payments next year. The major adjustment will be accomplished if the Congressional legislation is passed. As part of this effort, the Commission has retained Mr. Martin Ginsburg as a special tax consultant in Washington, D.C. The unusual amount of time and effort that has been required makes it necessary to request an augmentation of \$8,500 for consulting services by Mr. Ginsburg.

IT IS RECOMMENDED THAT THE COMMISSION:

AUTHORIZE THE EXECUTIVE OFFICER TO AUGMENT THE CONSULTING CONTRACT WITH MARTIN GINSBURG BY \$8,500.

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Added 12/16/80