H.R. 1483: The End Oil and Gas Tax Subsidies Act of 2023

The climate is changing. This fact is indisputable, as is the fact that humans are primary cause of the changing climate. The United States emitted nearly 6 billion tons of greenhouse gases in 2020 and the largest share of greenhouse gas emissions comes from the combustion of fossil fuels.

The Problem – U.S. Taxpayers Are Subsidizing Fossil Fuel Production

Despite consistent profitability, fossil fuel companies receive billions of dollars in federal tax breaks and subsidies, which underwrite the costs of continued oil and gas production. These forgone revenues undermine the United States' ability combat the climate crisis and invest in critical initiatives like education, housing, infrastructure, and healthcare.

Recent analysis released by the Stockholm Environment Institute found that just two oil and gas tax subsidies – the expensing of intangible drilling costs and the percentage depletion allowance – increased the value of new oil and gas projects by more than $20 billion in some years. These two subsidies alone helped spur and sustain the shale development boom in the United States.[1] Follow-up analysis examining the impacts of continuing these subsidies found that the subsidies increase average rate of return by 55% to 68% and more than 96% of the subsidy value goes to excess profits.[2]

The Solution – End Oil and Gas Tax Subsidies Act of 2023

The End Oil and Gas Tax Subsidies Act of 2023 eliminates nearly a dozen of the most egregious tax breaks enjoyed by the oil and gas industry. **President Biden proposed eliminating fossil fuel tax subsidies in his Fiscal Year 2024 budget.** The legislation would amend the Internal Revenue Code by:

- Increasing the amortization period for geological and geophysical expenditures from two years to seven years;
- Repealing the Section 45I tax credit for producing oil and gas from marginal wells and the Section 43 tax credit for enhanced oil recovery;
- Repealing the Section 263(c) tax deduction for the intangible drilling and development costs of oil and gas wells;
- Repealing percentage depletion in Section 613A;
- Repealing the Section 193 tax deduction for tertiary injectant expenses;
- Repealing the exception to passive loss limitations for working interests in oil and gas property;

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[1] Erickson, P. and Achakulwisut, P. (2021). How subsidies aided the US shale oil and gas boom. SEI report.
[2] Achakulwisut, P., Erickson, P. and Koplow, D. (2021) Effect of subsidies and regulatory exemptions on 2020–2030 oil and gas production and profits in the United States. Environmental Research Letters.

- Disallowing the Section 199A tax deduction for income attributable to domestic production activities for oil and gas activities;
- Prohibiting the use of the last-in, first-out (LIFO) accounting method by major integrated oil companies;
- Limiting the foreign tax credit for dual capacity taxpayers who receive specific economic benefits from foreign countries or U.S. possessions; and
- Closing the egregious tar sands tax loophole that exempts oil produced from tar sands from the excise tax for the Oil Spill and Liability Trust Fund.

Supporters: Earthworks, Food & Water Watch, Greenpeace, NRDC, Oxfam, Sierra Club, This is Zero Hour.