McAFEE & TAFT
A PROFESSIONAL CORPORATION

Proposed 2011 budget eliminates fossil fuel tax incentives

McAfee & Taft RegLINC - May 2010

By Mary Ellen Ternes

The Office of Management and Budget has proposed for Fiscal Year 2011 to eliminate broad categories of financial incentives that preferentially benefit oil, natural gas and coal production. The proposed budget justifies these changes citing perceived market distortions and the goal to strengthen incentives for investments in what are claimed to be clean, renewable and more energy efficient technologies.

For coal, targeted eliminations include:

1. Expensing of Exploration and Development Costs
2. Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels
3. Percent Depletion for Hard Mineral Fossil Fuels
4. Royalty Taxation

For oil and gas, targeted eliminations include:

1. Repeal Enhanced Oil Recovery Credit
2. Repeal Credit For Oil and Gas Produced From Marginal Wells
3. Repeal Expensing of Intangible Drilling Costs
4. Repeal Deduction For Tertiary Injectants
5. Repeal Exception to Passive Loss Limitations for Working Interests In Oil and Natural Gas Properties
6. Repeal Percentage Depletion for Oil and Natural Gas Wells
7. Repeal Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies
8. Increase Geological and Geophysical Amortization Period for Independent Producers to SevenYears
9. Oil and Gas Research and Development Program

View the proposed budget here.

LINKS

- Mary Ellen Ternes

Oklahoma City TENTH FLOOR • TWO LEADERSHIP SQUARE 211 NORTH ROBINSON • OKLAHOMA CITY, OK 73102-7103 (405) 235-9621 office • (405) 235-0439 fax
Tulsa 500 ONEOK PLAZA 100 WEST 5TH STREET • TULSA, OK 74103 (918) 587-0000 office • (918) 599-9317 fax