

Impact of IDC Repeal

PERMIAN

Central and Western Texas | Southeastern New Mexico

Some in Washington, DC have proposed that these standard business deductions be capitalized for the oil and natural gas industry. Even during tax reform conversations, capitalization of IDC will harm US energy production, cost American jobs, and hurt our overall economy.

- » **Intangible Drilling Costs (IDCs)** are ordinary and necessary business expenses required for the drilling, or preparation of oil and natural gas wells - such as wages, fuel, and other non-recoverable expenses.
- » **These costs** represent 60 to 90 percent of the cost of a well
- » **Taxpayers** are generally able to expense IDCs like other business operating costs recovering them in first year incurred or over a five period depending on the size of the company.



SOURCE: Impacts of Delayed IDC Deductibility (2014-2025), by Wood Mackenzie, Inc.

By 2023, repeal of the current tax treatment of IDCs could impact the Permian region in the following ways:

~220 Thousand	Barrels of oil equivalent Permian production lost daily
600	Less Permian wells will be drilled each year
19,000	Total number of jobs lost in the Permian region over the period
~\$4 Billion	Total annual loss of local capital investment into the Permian region
20 Percent	Total increase in domestic production in just 10 years by preserving IDC

Nationwide it is estimated that IDC repeal could almost 265,000 American jobs lost and a decrease in total investment by the industry of \$407 billion – all by 2023.

Tax policy decisions should drive economic growth, not restrict it. America’s oil and natural gas industry already contributes, on average, over \$85 million per day in revenue to the Federal government, while having a total effective tax rate over 44% and supporting over 9 million American jobs.

Americans understand the impact of taxes on energy. According to a March 2013 poll, 63% of voters believe raising taxes only on America’s oil and natural gas industry, or just on a handful of companies, would be bad tax policy, as well as unfair and discriminatory.

Congress Should Retain The Current Treatment Of IDC Costs.