

United States Senate

WASHINGTON, DC 20510

March 16, 2023

The Honorable Janet Yellen
Secretary, Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

We write with grave concern regarding the administration's continued hostility towards American energy production. Currently, working families and small businesses are facing immense challenges including high energy prices. At the same time, our allies and partners across the globe are asking for reliable American energy resources to escape their dependence on Russian energy and to deal with the energy crisis. Instead of increasing U.S. energy production, the administration is focused on increasing energy taxes. The administration has once again doubled down on weaponizing the tax code against U.S. energy producers. The Department of Treasury's *General Explanations of the Administration's Fiscal Year 2024 Revenue Proposals* (Green Book) is filled with crippling tax hikes on the production of oil, gas, and coal.

The latest Green Book calls for \$4.7 trillion in new tax increases, which will fall on a wide range of industries, as well as workers. These tax hikes alone will deliver a heavy blow to energy production while simultaneously suppressing growth in numerous sectors of the economy. The administration decided to go even further in imposing additional burdens on energy producers by deleting virtually every longstanding tax provision in the Internal Revenue Code designed to support traditional energy production. Specifically, the Green Book calls for more than \$100 billion in targeted tax increases on fossil fuels.

What is most troubling is that the administration explicitly acknowledges its intention to chill investment in conventional energy production, stating, "These oil, gas, and coal tax preferences distort markets by encouraging more investment in the fossil fuel sector than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the administration's policy of supporting a clean energy economy, reducing our reliance on oil and reducing greenhouse gas emissions." It is alarming that the administration believes utilizing our nation's abundant natural resources will be detrimental to long-term energy security. Unbelievably, the administration would willingly suppress domestic energy production knowing it means fewer jobs and higher prices for the American people. The Green Book proposals are neither policy neutral nor do they give proper consideration to the fact that fossil fuels are the highest taxed industry in the world, and pay relatively high rates of tax to the federal government – as well as state and local governments.

Many of the President's targeted tax hikes would repeal cost recovery provisions and deny necessary and ordinary deductions which give energy producers parity with other sectors of the economy. One example of this is the proposed repeal for the expensing of Intangible Drilling Costs (IDCs), which are widely utilized by independent producers to deduct expenses related to drilling. These expenses include labor, site preparation, repairs, equipment rentals, and survey work. Often times these items represent between 60 and 80 percent of total production costs.

Another important cost recovery mechanism the administration seeks to eliminate is Percentage Depletion. This is a type of depreciation for mineral-based assets that allows for a deduction from taxable income to reflect the declining production of reserves over time. Percentage Depletion is in line with standard depreciation for other assets and is necessary to recover costs associated with maintaining production on marginal wells, mines, and deposits. The entities benefitting from Percentage Depletion are often independent and family-owned production companies, as well as farmers and ranchers who may rely on small royalty payments.

There are more than a dozen other related energy tax provisions in the crosshairs of the administration's tax plan, all of which pale in comparison to the lavish subsidies afforded to the renewable energy industry. These proposals undermine the very industry responsible for providing 80 percent of the nation's energy needs. The administration is attacking the industry providing our allies with an alternative to relying on and lining the pockets of dictators in Russia, Iran, and Venezuela. These totalitarian regimes do not produce, or refine, with the same environmental standards we see with American-made energy.

America is fortunate to have abundant energy resources. Our nation needs to be focused on unleashing American energy and innovation instead of throwing away one of our biggest economic and geopolitical advantages. When facing a whole-of-government assault, American energy producers cannot continue to make long-term investments, which provide stability and energy security both at home and overseas. These crushing tax proposals, paired with the administration's heavy handed regulations and mandates, would threaten American families' access to affordable and reliable energy, while giving our adversaries the upper-hand in the global energy markets.

Sincerely,



John Barrasso, M.D.
United States Senator



Mike Crapo
United States Senator



Cynthia M. Lummis
United States Senator



Roger Marshall, M.D.
United States Senator



Kevin Cramer
United States Senator



Dan Sullivan
United States Senator



John Cornyn
United States Senator



JD Vance
United States Senator



James Lankford
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Rick Scott
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James E. Risch
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