March 21, 2024

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. 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 2025 Revenue Proposals (Green Book) is filled with crippling tax hikes on the production of oil, gas, and coal.

The latest Green Book calls for $5 trillion in new tax increases, which will fall on a wide range of industries, as well as workers. These taxes will fall on workers and families in the form of lower wages and higher prices. The broad tax hikes alone will deliver a heavy blow to energy production while simultaneously suppressing growth in numerous sectors of the economy. But, the administration has decided to go even further by specifically imposing additional burdens on energy producers by removing virtually every longstanding tax provision in the Internal Revenue Code designed to support traditional energy production. Specifically, the Green Book calls for more than $110 billion in targeted tax increases on oil, gas, and coal production.

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. Sadly, the administration would willingly suppress 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 consider the fact that conventional energy production is the highest taxed industry in the world, and pays high rates of tax to the federal government – as well as state and local governments. This relentless action from the Administration lacks the foresight necessary to realize the detrimental impact that these repeals will have.
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 and refundable tax credits afforded to the renewable energy industry. These proposals undermine the industry responsible for providing 80 percent of the nation’s energy, as well as the foundation for modern manufacturing. The administration is attacking the industry providing our allies with an alternative to relying on foreign adversaries for their energy needs. No other nation produces, or refines, 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 global energy markets.

Sincerely,

John Barrasso, M.D.
United State Senator

Mike Crapo
United State Senator

John Cornyn
United State Senator

James Lankford
United State Senator
Thom Tillis  
United State Senator

Steve Daines  
United State Senator

John Thune  
United State Senator

Marsha Blackburn  
United State Senator

Bill Cassidy, M.D.  
United States Senator

Tim Scott  
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Cynthia Lummis  
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James E. Risch  
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Kevin Cramer  
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Cindy Hyde-Smith  
United State Senator

Ted Budd  
United State Senator
Eric Schmitt  
United State Senator

Rick Scott  
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Katie Boyd Britt  
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Lisa Murkowski  
United States Senator

John Kennedy  
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Dan Sullivan  
United State Senator

John Hoeven  
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Mike Braun  
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