Congress of the United States
House of Representatives
Washington, DC 20515

December 6, 2012

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

The Honorable John A. Boehner
Speaker
U.S. House of Representatives
H-232 The Capitol
Washington, DC 20515

Dear President Obama and Speaker Boehner,

We are writing because we believe that any agreement reached by Congress and the Administration to address the impending "fiscal cliff" must include the elimination of special tax breaks and other unnecessary loopholes currently provided to the oil and gas industry. As we work to prevent the across-the-board mandatory spending cuts contained in the Budget Control Act of 2011 (BCA) combined with the expiration of certain Bush-era tax cuts for the middle class slated to occur at the end of the year, we believe that Congress must first and foremost eliminate the most wasteful and unnecessary special interest carve-outs in our tax code. Ending the special tax treatments and loopholes now given to highly profitable oil and gas companies would generate more than $50 billion over the next 10 years for the treasury and should be included in any bipartisan compromise.

The tax breaks that provide preferential treatment to the oil and gas industry are narrowly tailored and do not expire. Indeed, some oil industry tax subsidies have been on the books for nearly 100 years. The five largest oil companies made $137 billion in profits last year, yet the oil industry still reaps the benefits of these tax breaks.

For example, one tax break, the Section 263(c) tax deduction for "intangible drilling costs," allows oil producers to deduct business costs like fuel, repairs, and drilling supplies in the first year of use rather than over the life of an investment, as is allowed in most other industries. Similarly, the Section 193 tax deduction for "tertiary well injectants" allows oil companies to immediately deduct costs associated with pumping fluid, gas, or other chemicals into oil and gas reservoirs in order to increase the amount of oil and gas that can be extracted from the well. The Section 613 "percentage depletion allowance" provides the oil and gas industry with an entirely alternative—and financially favorable—method of depreciating assets. These are tax treatments that are unique to the oil industry and not provided to all industries.

In total, the tax subsidies supporting the oil and gas industry are projected to cost the American people more than $40 billion over the next 10 years. Repealing these unnecessary tax subsidies for this hugely profitable industry should be a key component of any revenue generating measures included in an agreement on the fiscal cliff.

Furthermore, the oil and gas industry benefits from numerous other special loopholes which allow them to drill for oil and gas on public lands without paying the American people a fair return for the right to do so. The oil and gas industry currently benefits from roughly $1 billion per year in royalty-free drilling on public lands in the Gulf of Mexico. In fact, nearly 25 percent of all oil produced from public lands offshore is now produced royalty-free. The oil and gas below our public lands belongs to the American people. At a time when we are looking to balance our budget, we must ensure that taxpayers see the benefits of this tremendously valuable public resource. Legislation to end this royalty-free drilling on public lands offshore has passed the House in each of the last three Congresses and we believe that it should be part of any agreement relating to the fiscal cliff.

Closing other subsidies given to the oil and gas industry for drilling on public lands and imposing measures to ensure that these companies are diligently developing the leases they already hold could generate hundreds of millions of dollars per year of additional revenue. Many legislative reforms to these subsidies have been called for in the Administration's budget request and we reiterate our support for their inclusion in any budget deal.

We can no longer afford to give more than $50 billion in special tax breaks and other subsidies to the oil and gas industry – one of the most profitable industries in the world. We therefore call for any budget agreement to include the elimination of these oil and gas tax breaks and drilling subsidies.

Sincerely,

Edward J. Markey
Member of Congress

Earl Blumenauer
Member of Congress

Henry A. Waxman
Member of Congress

Keith Ellison
Member of Congress

Peter Welch
Member of Congress

Barbara Lee
Member of Congress

Grace F. Napolitano
Member of Congress

Rush D. Holt
Member of Congress

Raul M. Grijalva
Member of Congress

Jared Polis
Member of Congress

Michael E. Capuano
Member of Congress

Madeleine Z. Bordallo
Member of Congress

Wm. Lacy Clay
Member of Congress

George Miller
Member of Congress

Barney Frank
Member of Congress

James P. McGovern
Member of Congress

Henry C. "Hank" Johnson, Jr.
Member of Congress

Rep. Peter A. DeFazio
Member of Congress

Janice D. Schakowsky
Member of Congress

John P. Sarbanes
Member of Congress

James P. Moran
Member of Congress

Robert C. "Bobby" Scott
Member of Congress

Lynn C. Woolsey
Member of Congress

Frank Pallone, Jr.
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Mazie K. Hirono
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Lois Capps
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Jackie Speier
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David E. Price
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Jim McDermott
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Elijah E. Cummings
Member of Congress

James R. Langevin
Member of Congress

Jerrold Nadler
Member of Congress

John W. Olver
Member of Congress

Adam B. Schiff
Member of Congress

Maxine Waters
Member of Congress

John Conyers, Jr.
Member of Congress

Doris O. Matsui
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Rosa L. DeLauro
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William R. Keating
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John Garamendi
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Mike Quigley
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Kathy Castor
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Chellie Pingree
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Steve Cohen
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David N. Cicilline
Member of Congress

Michael M. Honda
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Niki Tsongas
Member of Congress

Betty McCollum
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Bruce L. Braley
Member of Congress

Janice Hahn
Member of Congress

John Lewis
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Judy Chu
Member of Congress

Jose E. Serrano
Member of Congress

Paul Tonko
Member of Congress

Donna F. Edwards
Member of Congress

Gerald E. Connolly
Member of Congress

Dennis J. Kucinich
Member of Congress

Hansen Clarke
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Donna M. Christensen
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Eleanor Holmes Norton
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Timothy H. Bishop
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Suzanne Bonamici
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John A. Yarmuth
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Stephen F. Lynch
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Carolyn B. Maloney
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John F. Tierney
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Member of Congress

Marcy Kaptur
Member of Congress

Zoe Lofgren
Member of Congress