

Truth About Oil & Gas "*Subsidies*"

by Earl P. Holt III

The pathological liars that comprise the ***New Communist Party of the USA*** (NCPUSA) -- incorrectly called the "*Democrat*" Party -- are renowned for their capacity to lie with abandon, even when the truth would save their souls. In their relentless efforts to destroy America's oil and gas industries, they falsely accuse these industries of receiving "*subsidies*" from the federal government.

Depending on the liar and their audience, it is claimed that the oil and gas companies annually receive as much as \$50 Billion in subsidies from the Yankee government: in fact, that's about what they pay in Federal Income Taxes each year. This is merely one of many standard lies uttered by leftist traitors and communists in the NCPUSA. In fact, the oil and gas industries do NOT receive federal "*subsidies*," but they do receive the same kinds of tax deductions and depreciation as many other industries.

Many oil and gas companies are organized as **Master Limited Partnerships** (MLP) to avoid the double-taxation of earnings. The latter occurs when earnings are first subjected to the U.S. Corporate Tax Rate, and then taxed again as Dividends after earnings are distributed to shareholders. MLPs avoid this double-taxation, but MLPs are not unique to oil and gas industries, and are available to other industries such as Real Estate. It's not a "*subsidy*" to organize in a legal manner that avoids earnings being taxed twice.

So called "***Intangible Drilling Costs***" are often falsely characterized as *subsidies* to the oil and gas industry. These are the costs associated with "*dry*" wells that have no salvageable value. Smaller oil and gas services companies are permitted to deduct 100% of the costs associated with "*dry*" wells in the year they are incurred, while the major oil companies

are permitted to immediately deduct 70% of these costs, and amortize the remaining 30% over the next 5 years. Deducting exploration costs that produce nothing but losses are not *subsidies*. No sane government would ever tax a business on its losses.

For various reasons, some offshore plots are not subject to **Royalty Payments**, a phenomenon that is wrongly characterized as *subsidies* by the left and other idiots. However, the income derived from these wells by investors are ultimately taxed at the same levels as any other form of income. That's not a subsidy, either.

The **Depletion Allowance** granted to small, independent oil and gas companies is also sometimes referred to as a subsidy. The Depletion Allowance permits oil and gas companies to treat reserves in the ground as a *capitalized asset* that may be depreciated by 15% per year. However, the large, "*integrated*" oil companies such as **ExxonMobil** or **Chevron** do not receive this benefit from the Federal Tax Code. Nearly every business in the US is allowed a depreciation deduction for capitalized assets, so this is not a subsidy, either.

The **Domestic Manufacturing Deduction** is also wrongly cited as a *subsidy*. This permits manufacturers to deduct 9% of taxable income from their domestic operations. It was enacted by Congress in 2004 to encourage manufacturers to remain in or return to the U.S. after seeing so many relocate to China and the Pacific Rim nations because of high U.S. tax rates. The deduction is extended to most domestic manufacturing, not just to oil and gas companies, and it is not a subsidy, either.

The **Foreign Tax Credit** allows US companies to deduct all taxes paid to foreign governments when their earnings are ultimately repatriated to the U.S. each year. This is no different than allowing U.S. taxpayers to deduct state and local income taxes from their Federal Income Tax, so

that they are not taxed on income that has earlier been paid to another governmental entity. The IRS allows this deduction for any business operating outside the U.S., and it is hardly a *subsidy*.

To show how ignorant and dishonest leftists truly are, in parroting their lies about oil and gas subsidies, they often include the costs incurred by state and local governments that pay the utility bills of deadbeat n*ggers to prevent their utilities from being shut-off. They also include the cost of oil and gas purchased by the U.S. military. Apparently, these geniuses somehow consider the sale of oil and gas to the military to be "*subsidies*."

Each example cited by leftist idiots is not a *SUBSIDY* to the oil and gas industry, they are simply STANDARD TAX BREAKS THAT ALLOW OIL AND GAS COMPANIES TO RETAIN MORE OF THE EARNINGS THEY, THEMSELVES GENERATE. These are a far cry from being a "*subsidy*." However, the NCPUSA's dishonest, 50-year crusade of lies against oil and gas helps to explain our current, self-imposed energy crisis.