



Big Oil Tax Giveaway

How the Tax Cuts and Job Act Hurts People and the Planet

The scam

In December 2017, Trump signed into law one of the biggest giveaways to corporations and billionaires in U.S. history: the so-called Tax Cuts and Jobs Act. Experts agree that this GOP tax scam will only worsen income inequality over time, increase the federal debt and raise health care premiums to the point where many Americans will lose their insurance.¹

The TCJA is more than just a giveaway to the rich: it's bad for climate change. Thanks to Trump and Congressional Republicans, Big Oil received a massive 40 percent cut to its tax rate and got to keep billions-a-year in existing special interest subsidies.² With more money in the bank, the oil and gas industry has even more resources at its disposal to fund climate denial and block necessary action to solve the climate crisis.

Winners and losers

Big Oil was a huge winner when the Tax Cuts and Jobs Act passed. Over the next decade, it is estimated that the GOP tax scam will provide a handout of nearly \$15 billion to four of the top oil and gas companies alone. This is in addition to the nearly \$5 billion the rest of the oil industry gets each year in tax subsidies.³

Meanwhile, it is projected that America's middle class will be worse off if the TCJA remains law.⁴ The Joint Committee on Taxation has calculated that the Tax Cuts and Jobs Act will cost the federal government at least **\$1.5 trillion in lost revenue** by 2027,⁵ which will undoubtedly add to the federal deficit and be used to justify devastating budget cuts to vital services like clean water infrastructure, low-income housing, and job re-training. Inevitably, tax cuts for corporations and billionaires end up hurting the most vulnerable.

Big Oil's special treatment

The oil and gas industry has a long history of special treatment when it comes to taxes. For over 100 years, subsidies have enabled fossil fuel companies to avoid paying their fair share of taxes at the expense of hard-working Americans.⁶

1 <https://www.taxpolicycenter.org/publications/effects-tax-cuts-and-jobs-act-preliminary-analysis>

2 <https://www.taxpayer.net/energy-natural-resources/billions-energy-tax-subsidies-left-books/>

3 <https://www.finance.senate.gov/imo/media/doc/Wyden%20Report%20-%20Trumps%20Tax%20Scam%20Hands%20Billions%20to%20Big%20Oil%200522181.pdf>

4 <https://www.brookings.edu/blog/up-front/2018/10/16/the-middle-class-needs-a-tax-cut-trump-didnt-give-it-to-them/>

5 <https://www.jct.gov/publications.html?func=startdown&id=5053>

6 <https://www.finance.senate.gov/imo/media/doc/Wyden%20Report%20-%20Trumps%20Tax%20Scam%20Hands%20Billions%20to%20Big%20Oil%200522181.pdf>

Some of the tax subsidies the TCJA generously kept on the books for Big Oil are:

- The **percentage depletion allowance** that permits oil and gas companies to deduct 15 percent of sales revenue from an oil or gas well (costs \$2.3 billion over five years)^{7;8}
- The **intangible drilling cost deduction** that Big Oil uses to reduce their taxable income by the cost of developing an oil well (costs \$2.9 billion over five years)^{9;10} and
- The **amortization of geological and geophysical expenditures** that allow industry to more quickly deduct many of the costs associated with the exploration for or development of oil and gas deposits (costs \$400 million over five years in lost federal revenue)^{11,12}



But the TCJA made the existing Big Oil tax giveaway even bigger

- Part of the way that oil and gas companies benefit from the tax code is that they are allowed to unfairly defer, or postpone, large portions of their owed taxes.¹³ This meant that when the TCJA slashed the corporate rate from 35 percent to 21 percent,¹⁴ Big Oil saw the amount due on those deferred taxes shrink overnight. For example, Exxon Mobil instantly saved \$6 billion thanks to the TCJA rate cut, Valero was gifted \$2.6 billion and Chevron pocketed \$2 billion.¹⁵
- A 20 percent deduction for pass-throughs was added to benefit businesses that pass profits through to owners to be taxed as individual income tax.¹⁶ Although some pass-throughs are small businesses, giant publicly-traded pipeline corporations also unfairly fall under this category and benefit from the 20 percent deduction all the same.¹⁷
- Previously, Subpart F annually taxed income from shares in foreign corporations. It was designed to ensure U.S. companies operating overseas paid taxes on certain types of income immediately, as opposed to only when that income was brought home.¹⁸ However, the TCJA excluded all oil related income taxes under Subpart F.¹⁹ This is a specific provision written into the law to benefit Big Oil that is going to cost taxpayers at least \$4 billion over the next decade.²⁰

Better Ways to Spend \$1.5 Trillion

Rather than invest in the American people, the GOP tax scam is a gift to Big Oil and billionaires. We could spend that money on many other important programs and services instead of continuing to prop up industries that destroy our environment just to make a profit.

7 <https://www.jct.gov/publications.html?func=startdown&id=5148>

8 <https://www.law.cornell.edu/uscode/text/26/613>

9 <https://www.jct.gov/publications.html?func=startdown&id=5148>

10 <https://www.crfb.org/blogs/tax-break-down-intangible-drilling-costs>

11 <https://www.jct.gov/publications.html?func=startdown&id=5148>

12 <https://www.irs.gov/pub/irs-wd/201835004.pdf>

13 <http://www.taxpayer.net/energy-natural-resources/effective-tax-rates-of-oil-gas-companies-cashing-in-on-special-treatment/>

14 <https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-business-taxes>

15 <https://www.finance.senate.gov/imo/media/doc/Wyden%20Report%20-%20Trumps%20Tax%20Scam%20Hands%20Billion%20to%20Big%20Oil%200522181.pdf>

16 <https://www.brookings.edu/research/9-facts-about-pass-through-businesses/>

17 <https://www.taxpolicycenter.org/taxvox/treasury-left-door-open-20-percent-tax-deduction-pass-through-businesses>

18 <https://fas.org/sgp/crs/misc/R45186.pdf>

19 <https://www.cspcpa.com/wp-content/uploads/2018/01/Other-Subpart-F-Changes.pdf>

20 https://www.jct.gov/publications.html?func=download&id=5053&chk=5053&no_html=1

To reverse the GOP tax scam, tell your U.S. senators and representative to support a full repeal of the TCJA!

Here are some other good first steps to address the GOP corporate giveaway:

The No Tax Breaks for Outsourcing and Stop Tax Haven Abuse Acts

Sponsored by Rep. Lloyd Doggett of Texas and Sen. Sheldon Whitehouse of Rhode Island, these bills would “level the playing field for domestic companies by ensuring that multinationals pay the same tax rate on profits earned abroad as they do in the United States” and “close egregious offshore tax loopholes that allow companies... to avoid taxes by making profits earned here in America magically appear on the books in tax havens.”²¹

The Robin Hood Tax

“A tiny financial transaction tax on Wall Street (less than one half of 1%) that could generate \$300 billion annually. It will kick start the economy by funding College For All, creating jobs, and strengthening public services like healthcare, education, and infrastructure at home — while tackling AIDS, global health, poverty, and climate challenges around the world.”²²

A higher marginal tax rate for wealthy individuals

“Marginal tax rates reflect the tax on the last dollar you earn. In a progressive system such as ours, your tax rate rises with your income (until the rate maxes out).”²³ The U.S., which currently ranks 39th in personal income tax,²⁴ would benefit greatly from raising the top rate to maximize revenue while having a negligible impact on top earners.²⁵

A fair estate tax

“The federal estate tax is a tax on property (cash, real estate, stock, or other assets) transferred from deceased persons to their heirs.”²⁶ Only impacting the wealthiest of Americans, a fair estate tax would have an effective rate comparable to other developed countries to help fund essential programs.



21 <https://doggett.house.gov/media-center/press-releases/rep-doggett-sen-whitehouse-author-bills-end-trump-tax-breaks-exporting>

22 <https://www.robinhoodtax.org/>

23 <https://www.forbes.com/sites/howardgleckman/2019/01/08/about-rep-ocasio-cortezs-70-percent-tax-rates/#7849594dbbff>

24 https://www.theglobaleconomy.com/rankings/personal_income_tax_rate/

25 <https://eml.berkeley.edu/~saez/diamond-saezJEP11opttax.pdf>

26 <https://www.cbpp.org/research/federal-tax/ten-facts-you-should-know-about-the-federal-estate-tax>