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Key Oil and Gas Provisions Remain Through Tax Reform

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BY [BRIAN BURNETT](#)

While there have been sweeping changes due to the Tax Cuts and Jobs Act of 2017, a few key components that taxpayers in the oil and gas industry have routinely benefitted from will remain intact. One of the more important provisions to remain under the new law is the option to fully expense intangible drilling costs incurred in the startup of the business. The option to immediately expense intangible drilling costs can greatly help oil and gas taxpayers in the earliest, most capital-intensive years of the business.

As an added boost, the percentage depletion deduction has also survived the tax reform and will remain effective under the new law. Under percentage depletion, a taxpayer can deduct 15% of the gross income on a well-by-well basis, subject to certain limitations. Percentage depletion can often provide a more advantageous alternative to cost depletion for profitable wells, and will continue to benefit many oil and gas taxpayers, as it remains a viable deduction into the future.

The two aforementioned provisions remaining intact will certainly benefit taxpayers in the oil and gas industry into the foreseeable future. These key measures will certainly help to stabilize the industry from a tax perspective.

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