



Congress of the United States
House of Representatives
Washington, DC 20515-3605

September 14, 2023

Chairman Smith and Ranking Member Neal:

Thank you for providing Members the opportunity to share our priorities for the 118th Congress. I am proud to represent the world's largest secure supply of energy in the world: the Permian Basin. The Permian Basin accounts for nearly 40 percent of all oil production in the United States and nearly 17 percent of our natural gas production. Our region is not only the epicenter of domestic oil production, but a geostrategic tool for our national security.

Last Congress, some lawmakers pushed to remove essential provisions for energy producers, like Intangible Drilling Costs (IDCs), which are a crucial tool for weathering a volatile and unpredictable industry. The ability of independent oil and gas exploration and production companies to deduct IDCs—in the same way other businesses deduct business expenses—is key to a company's ability to lower the cost of capital for domestic production activity.

The Inflation Reduction Act imposes a book minimum tax on American companies, but companies are still able to reduce their taxable income by the amount of depreciation deductions they're already receiving through traditional corporate income tax. However, the oil and gas industry, who utilize IDCs, is treated punitively by the corporate alternative minimum tax. This is just one of the many issues that the corporate alternative minimum tax poses for the oil and gas industry.

IDCs are not loopholes, credits, or subsidies. The expensing of IDCs allows companies to recoup costs such as labor, equipment rentals, pad preparation, or other expenditures for which there is no salvage value. In fact, over 80 percent of IDCs are associated with labor costs. Our nation's tax code is designed to levy taxes on net profits, not dollars used for ordinary and necessary costs or capital expenditures. The elimination of the current expensing of IDCs would drastically increase the costs associated with these high-risk and high-cost projects and would result in less domestic production of oil and natural gas, jeopardizing our nation's economic and national security.

Unfortunately, there are many punitive policies that this body must address. For decades millions of retired public servants, including police officers, firefighters, and teachers have had their Social Security checks unfairly docked because of an antiquated formula. Every month, retired public servants risk their benefits being reduced due to the Windfall Elimination Provision. At a time when so many are already struggling to keep up with inflation, this money goes a long way.

Our public servants deserve better. Those who have spent decades paying into Social Security should not be treated differently because they made the decision to serve their community. I am proud to support Rep. Jodey Arrington's legislation, *H.R. 5342 the Equal Treatment of Public Servants Act of 2023*, to update Social Security's formula to fully compensate our teachers, firefighters, and police officers for the

time they worked in the private sector and the taxes they paid into the system. I urge the Committee to take action on this bipartisan legislation.

Lastly, it is imperative that the Ways and Means Committee works to advance trade policies that prioritize American agribusinesses. Due to the previous Administration's commitment to freer and fairer trade agreements, we made significant market improvements. It is imperative we continue to ensure American agricultural exporters, and many other sectors of our economy, receive the full benefit of the improved trade deals by vigilant enforcement. Additionally, we must be in constant pursuit of new global markets for our farmers and ranchers. With worldwide demand for food on the rise, we must ensure there is no one better equipped to lead the charge of feeding a hungry world than American producers.

For several years, American business-owners, farmers, ranchers, and energy producers have faced the threat of having the tax code weaponized against them and being left behind in the global marketplace. It is important that we work to bolster American competitiveness, domestically and internationally, and I look forward to working with the Committee in these endeavors.



Rep. August Pfluger
Member of Congress