Minimum Tax, Maximum Influence

While Republican Lawmakers Consider Medicaid Cuts, Fossil Fuel Companies Push for Relief from 15% Minimum Tax

24 March 2025

By Lukas Ross, Friends of the Earth and Alan Zibel, Public Citizen

Dirty energy companies are looking to Washington for help with their tax bills, and lawmakers appear poised to deliver.

Now that Republicans are in control of Congress and the White House, oil and gas companies are trying to get a helping hand from their allies in Congress to protect against tax increases caused by President Biden's landmark climate legislation.

Earlier this year, Sen. James Lankford (R-Okla) introduced industry-backed legislation that would benefit domestic oil and gas companies. The bill, dubbed the Promoting Domestic Energy Production Act, could be included in the package of tax cuts for the wealthy and reductions in benefits for low-income Americans that Republicans are putting together this year.

SQUAWK BOX

Sen. Lankford on push for oil & gas driller tax relief, GOP policy priorities and Trump tariffs

Domestic oil and gas companies, including from Lankford's home state of Oklahoma, have warned their investors about the corporate alternative minimum tax. The industry could soon be rewarded with specially tailored tax relief courtesy of their Republican political allies.

Fresh Handouts for U.S. Oil & Gas

Here's how the tax scheme works: In August 2022, President Joe Biden signed the Inflation Reduction Act, which made historic climate investments. To help pay for new spending, the bill included a set of corporate tax increases, the largest of which was the $222 billion corporate alternative minimum tax. This tax is meant to prevent corporations that deliver massive profits to investors from paying nothing or nearly nothing in taxes because of corporate-friendly tax loopholes. Under the corporate minimum tax, if a company reports an average of at least $1 billion in annual income over three years, then it must pay 15% of that reported income in taxes, minus certain deductions.[1]

Many Republicans would like to eliminate the minimum tax. In 2023 and again in 2025, Sen. John Barrasso (R-Wyo) introduced repeal legislation that was endorsed by corporate groups, including the American Petroleum Institute, U.S. Chamber of Commerce, National Association of Manufacturers, National Mining Association and Independent Petroleum Association of America and the Western Energy Alliance. The president of the Western Energy Alliance, Kathleen Sgamma, now Trump's nominee for a top federal job overseeing oil and gas drilling on public lands, backed the repeal bill, claiming without citing evidence that the minimum tax was "specifically designed to target the oil and natural gas industry even though America needs more domestically produced energy to keep prices affordable for consumers."

In theory, the GOP could rescue all of corporate America from the corporate minimum tax simply by repealing that tax, as Project 2025 calls for. But doing so would add $222 billion to the cost of coming legislation. Because of the peculiar rules of reconciliation, this would necessitate higher deficits, painful cuts, or tax increases from elsewhere. Republicans may not be able to afford such a broad-based

[1] Income that corporations report to investors is calculated differently from the tax income they calculate to pay the IRS. The corporate minimum tax requires qualifying corporations to pay whichever is higher.

handout in their aggressive agenda of extending Trump's 2017 tax cuts for the wealthy and enacting harsh spending cuts that harm the less fortunate. As such, they appear to be considering a more narrowly targeted giveaway to their close friends and supporters in the oil and gas industry.

Protecting Profits

Lankford's legislation would ensure that many oil and gas drillers aren't subject to the corporate minimum tax by allowing the deduction for intangible drilling costs—a longstanding subsidy for Big Oil—to be claimed against the corporate minimum tax. The proposed legislation signals the lengths to which the fossil fuel industry will go to protect its profits from even minimal taxation.

The tax deduction for intangible drilling costs goes back to 1913 and is the oldest and the largest fossil fuel subsidy on the books. It allows all of the costs for drilling an oil or gas well to be deducted immediately in the year they are incurred. This is a sharp departure from normal accounting practice, which generally requires similar costs in other industries to be deducted slowly over the life of an asset. The Biden administration's final budget estimated the cost of this deduction at $9.7 billion over the next decade.

In an interview on CNBC, Lankford said that if Congress can't get rid of the entire corporate minimum tax, it should at least help oil and gas producers that are growing and bumping up against the minimum tax requirement. **"We need to be able to get some relief to them so they're not constantly worried about it,"** Lankford said. **"The last thing we want to do to a business is say you can't keep growing; you've got to be able to cap your growth that's not good for our economy and it's not good for our energy future."**

Lankford, one of the closest oil and gas industry allies in Congress, has received more than $545,000 since 2019 from oil and gas industry employees and political action committees, according to OpenSecrets. Running for Senate in 2014, Lankford touted the support of Chesapeake Energy founder Aubrey McClendon who died in a car crash two years later after being indicted by a federal grand jury.

The House version of Lankford's legislation is cosponsored by Rep. Mike Carey (R-Ohio), a former coal lobbyist, and Rep. Vicente Gonzalez (D-Texas). Gonzales,, like many Texas Democrats, is closely allied with the fossil fuel industry, receiving more than $535,000 in campaign contributions from oil and gas industry political action committees over his career.

If passed, this special tax break for lawmakers' oil and gas allies would add to the already massive $170 billion in existing subsidies for oil, gas and coal companies. The bill would affect many publicly traded oil drilling firms and potentially other companies that are privately held and whose finances are not public, as long as they have earned $1 billion or more per year on average in any three-year period. Under the 2022 law, companies that pay the alternative minimum tax are allowed to carry forward the amount paid and use it as a credit against their future income taxes, subject to certain conditions.

A review of recent industry earnings calls and Securities and Exchange Commission filings shows that the corporate minimum tax is highly significant for many oil and gas companies. Some examples[2]:

EOG Resources, a pioneer in the fracking industry that reported $6.4 billion in profit in 2024, disclosed to investors that it accrued an alternative minimum tax liability of $212 million in 2023, but then was able to reduce that liability by $136 million under new IRS tax guidance. The Houston-based company said it used the remaining $76 million of liability from the alternative minimum tax to offset income taxes the company owed in 2024.

APA, formerly Apache, said in a corporate filing that it became subject to the corporate minimum tax at the start of 2024, and accrued $74 million in tax expenses last year, tax payments that can be carried forward into future years to offset future

[2] The examples cited do not indicate that the companies will always be subject to the corporate alternative minimum tax, and there are many factors that play into a company's tax bill. But all of the listed companies have cited the alternative minimum tax as a factor in their earnings.

income tax expenses. The Houston-based company reported earnings of $804 million in 2024, down from $2.9 billion a year earlier.

Ovintiv, a Denver-based driller that reported $1.1 billion in profit in 2024 , reported to investors that it had accumulated $40 million in corporate alternative minimum tax credits, indicating that the company paid that amount in a previous year.

Devon Energy, which posted $2.9 billion in after-tax earnings in 2024, has not yet paid the minimum tax. Nevertheless, the company expressed uncertainty to investors concerning two major tax policies: the corporate alternative minimum tax and the global minimum tax agreement, known as "Pillar Two," now under attack by the Trump Administration. "While we are still assessing the potential impacts of the CAMT and the Pillar Two rules to our business," the company wrote, "any incremental taxes attributable to CAMT, Pillar Two or any other tax law changes, or a change in our current interpretation thereof, could be significant and adversely impact our financial condition, results of operations and cash flows."

Marathon Oil, which was purchased by international oil giant ConocoPhillips in 2024, told investors in an earnings call before the deal's closure that the corporate minimum tax was the *only* reason the company expected to pay any federal taxes in 2024. As the company's chief financial officer said, "we have in a non-AMT world sufficient tax attributes not to (be)... U.S. Federal Income tax taxable until late 2025." He went on to say that, "...we expect we are going to be AMT taxable at a 15% rate starting in 2024 and we expect that should continue at that rate for about a decade."

Expand Energy, formed out of the 2024 merger between Chesapeake Energy and Southwestern Energy, warned investors that the corporate minimum tax might exact a cost on the newly formed company. Asked by a Wall Street analyst about their tax situation, a top executive responded by saying, "As we bring these companies together, Chesapeake's cash tax position, I think, is pretty well understood...But we will hit AMT over a period of a few years across the combined organization. That's probably how you should think about modeling it."

Civitas Resources, one of the largest drillers in Colorado, earned nearly $839 million in 2024, up from $784 million a year earlier. The company's chief financial officer said Civitas is unlikely to owe the minimum tax if crude oil prices are about $70 per barrel, but could face the tax oil prices rise to $80 or above.

Conclusion

For more than a century, the U.S. government has handed out billions in subsidies to fossil fuel companies and their CEOs. At the same time, communities across the nation bear the devastating consequences of pollution and climate change. Now, less than three years after Congress decided to impose a bare minimum level of taxation for corporate America, fossil fuel interests are trying to reverse those policies so they pay essentially nothing. Even on the heels of unprecedented post-COVID profits, there is no level of taxation minimal enough for this polluting industry.