



# TaxNewsFlash

## United States

No. 2017-166

April 21, 2017

### Notice 2017-24: Enhanced oil recovery credit

Notice 2017-24—released in the Internal Revenue Bulletin—provides the oil reference price for the enhanced oil recovery credit. Because the oil reference price for 2016 (\$38.29) does not exceed the \$28 multiplied by the inflation adjustment factor for 2016 ( $\$28 \times 1.6713 = \$46.80$ ), the enhanced oil recovery credit is available in 2017.

Notice 2017-24 appears in the Internal Revenue Bulletin [2017-17](#) [PDF 3.5 MB] dated Monday, April 24, 2017.

#### Enhanced oil recovery (EOR) credit

The EOR credit is phased out in a given year depending on the oil reference price for the prior year. The oil reference price is the government's estimate of the annual average wellhead price per barrel for all domestic crude oil the price of which is not subject to regulation by the United States. Thus, when domestic oil prices are low, the EOR credit is available, but when domestic oil prices are high or even in a middle range, the EOR credit phases out.

The enhanced oil recovery credit is equal to 15% of the taxpayer's qualified enhanced oil recovery costs for the tax year. "Qualified enhanced oil recovery costs" means any of the following:

- An amount paid or incurred during the tax year for tangible property: (1) that is an integral part of a qualified enhanced oil recovery project; and (2) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.
- Any intangible drilling and development costs: (1) that are paid or incurred in connection with a qualified enhanced oil recovery project; and (2) with respect to which the taxpayer makes an election under section 263(c) for the tax year.

- Any qualified tertiary injectant expenses that are paid or incurred in connection with a qualified enhanced oil recovery project and for which a deduction is allowable for the tax year.
- Any amount that is paid or incurred during the tax year to construct a gas treatment plant that (1) is located in the area of the United States lying north of 64 degrees north latitude; (2) preparing Alaska natural gas for transportation through a pipeline with a capacity of at least 2 trillion btu of natural gas per day; and (3) produces carbon dioxide which is injected into hydrocarbon-bearing geological formations.

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