

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 x 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.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)