

Roth: The Senate tax bill's effect on energy

By [Jim Roth](#), Director and Chair of the Firm's Clean Energy Practice Group. This column was [originally published in The Journal Record](#) on November 20, 2017.



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Last week [I considered](#) how the House tax proposal would impact the energy industry. With the release of the Senate's proposal, we now wait to see how Congress will merge these two versions. The current schedule has them submitting a bill to the president before year-end.

As a refresher, the House plan severely injured renewables, hitting wind the hardest, with its early sunset of vital tax

credits including both the investment tax credit and production tax credit. Not the Senate bill, though – it leaves those in place. It also leaves the marginal well credit in place, a fact that many Oklahomans will appreciate.

One positive feature of the Senate's version is its silence on the electric vehicle credit. The House bill removed a \$7,500 incentive for EV car buyers.

The incentive was achieved via a bipartisan effort aimed at bringing parity between electric and combustion engine vehicles. Since the incentive was put in place, every major car manufacturer has unveiled plans to increase its electric vehicle production. Some companies, like Volvo, pledged to make all of their vehicles electric (hybrid or plug-in) or "electrified" (a non-plug-in electric version) beginning in 2019.

The EV component is really important to the renewable energy story, as it will no doubt be a catalyst for those who are reluctant to embrace other types of green living such as installing solar panels on their roofs or a geothermal system underground.

Other key differences between the bills are that the Senate's version also cuts the corporate tax to 20 percent, but not until 2019, where the House's cut would go in to effect after Dec. 31. Unlike the House's proposal, the Senate version does not eliminate any brackets, but does lower rates more than its House counterpart.

The Senate bill treats small business pass-through entities differently – more favorably – than the House bill. There are a vast number of oil and gas related pass-through small businesses in Oklahoma that would stand to benefit.

While the Senate version is far more courteous to the energy sector than its House counterpart, there are still many things left to contemplate. For one, two major promises by

congressional Republicans have been the repeal of Obamacare and tax reform.

The Senate bill attempts the old two birds, one stone idiom with its repeal of the Obamacare individual mandate. This relates to the energy industry as so many oil and gas companies and affiliates are small businesses, which often means many of their employees are independent contractors. Obviously this repeal would lower tax rates for all Americans, but its wide-reaching effects on the state of health care in our country remains to be seen. It is estimated that remaining insured Americans would see an increase of 10 percent in their premiums, which might actually exceed the tax break savings the bill otherwise proposes for middle-income Americans. Stay tuned.

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