

Publications

IRS Announces that Marginal Well Production Credits are Available for 2016 Natural Gas Production

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OOGA Bulletin

Joseph Mann, a partner in the Vorys Columbus office and a member of the tax group, authored an article for the *OOGA Bulletin* (the monthly publication of the Ohio Oil and Gas Association) titled "IRS Announces that Marginal Well Production Credits are Available for 2016 Natural Gas Production." The article focused on a federal tax credit that will be available for the first time for natural gas production.

The article states:

"The Marginal Well Production Credit was enacted by Congress in 2004, and generally provides for a credit against federal income taxes for qualified crude oil and natural gas production. The Marginal Well Production Credit is subject to adjustment for inflation, as well as partial reduction, or complete elimination, for any particular calendar year based upon estimates of national average oil and natural gas prices for the previous calendar year, as determined by the Internal Revenue Service. As a result of national average oil and natural gas prices, the Marginal Well Production Credit has been entirely unavailable for both oil and natural gas production since its enactment through 2015, and remains entirely unavailable for oil production in 2016. The OOGA Tax Committee reported in the January 2017 OOGA Bulletin on the potential availability of this credit for 2016 natural gas production, although at that time the Internal Revenue Service had not published the applicable average natural gas price.

On Sept. 12, 2017, the Internal Revenue Service at long last announced its estimate for 2015 average national natural gas prices in Notice 2017-51 (the Notice), with the result that the Marginal Well Production Credit is partially available for the first time, for natural gas production with respect to the 2016 calendar year (and other taxable years that begin in 2016). Presumably because the Notice was released so late in the filing season, the Notice specifically provides that taxpayers who filed a 2016 federal income tax return on or before Oct. 2, 2017 and either did

not claim the credit, or claimed the credit in an amount that differs from that provided by the Notice, may file an amended return using the credit amount provided by the Notice.”

To read the entire article, visit the OOGA [website](#).