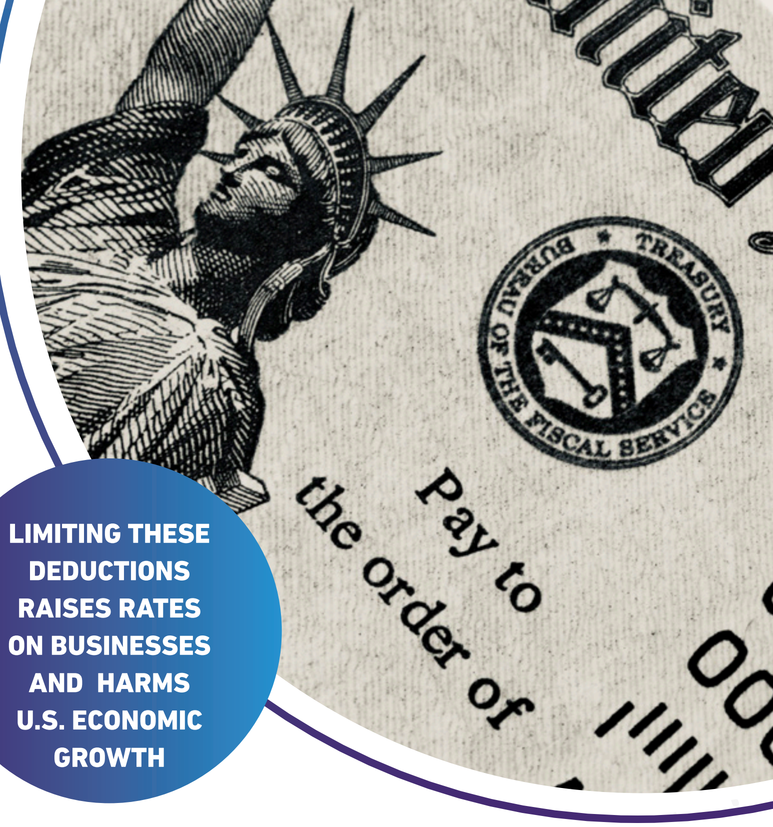
American Petroleum Institute

Limiting B-SALT Deductions is a Back-Door Rate Increase on U.S. Energy



LIMITING THESE DEDUCTIONS RAISES RATES ON BUSINESSES AND HARMS U.S. ECONOMIC GROWTH

State and local business taxes (B-SALT and occasionally referred to as corporate SALT or C-SALT) are ordinary and necessary business expenses, just like employee salaries or cost of goods sold, and therefore should be deductible.

The B-SALT deduction is NOT analogous to the Individual SALT deduction. Individual SALT payments are based entirely on the domicile of an individual taxpayer. In contrast, business income tax payments are apportioned across all states, based on sales, regardless of whether a company is physically located in a state.

Denying a deduction for state and local income taxes would be a backdoor tax increase on millions of American businesses. Increasing the corporate tax burden harms households. The Treasury Department's economic analysis points out that 37% of the tax burden of a corporate tax increase would be borne by households making less than about $300,000.[1]

Repealing the B-SALT deduction for state and local corporate income taxes paid would reduce long-run GDP and American incomes by 0.1% and reduce hours worked by 21,000 full-time equivalent jobs.[2] Disallowing the deduction for corporate property tax payments would reduce GDP by an additional 0.1%.[3]

LIMITING B-SALT DEDUCTIONS WOULD DISCRIMINATE AGAINST OIL & GAS

The oil and natural gas industry pays numerous types of SALT such as income taxes, property taxes, sales and use taxes and severance taxes based on where resources are located. The oil and natural gas industry paid $208.8 Billion in direct SALT in 2021.[4]

Severance tax is unique to extractive industries, and thus limiting the deduction of severance tax would discriminate against the oil and gas industry. The oil and natural gas industry paid the following severance taxes in fiscal year 2024[5].

- **TX:** $8.48B
- **ND:** $3.06B
- **NM:** $1.92B
- **OK:** $1.10B
- **AK:** $962.5M
- **LA:** $816.4M
- **WY::** $682.2M
- **PA:** $181.8M
- **WV:** $180.0M
- **CO:** $178.1M

Don't limit deduction of B-SALT, which would compromise U.S. economic growth and discriminate against oil and natural gas businesses. Increasing the cost of oil and gas operations is contrary to the Administration's objective of increasing production.

To learn more visit API.org

[1] https://home.treasury.gov/system/files/131/Distribution-of-Tax-Burden-Current-Law-2025.pdf
[2] https://taxfoundation.org/blog/corporate-tax-deduction-c-salt/
[3] https://taxfoundation.org/blog/corporate-tax-deduction-c-salt/
[4] PwC Analysis for API.
[5] Official State agency public data.