



**TM²SQUARED**  
AN ENERGY DEVELOPMENT COMPANY

## Tax Advantages of Working Interest Participation

There are a number of significant tax advantages available to qualified investors who participate in Working Interest Projects. Under the current law, for example, drilling expenses and production income currently both offer excellent tax advantages with most partners getting to write off 100% against their ordinary income.

Please consult with a tax professional for information specific to your tax situation before making any investment decisions.

### Key tax benefits include:

- Intangible Drilling Costs (IDC) – IDCs are fully deductible in the year costs are incurred. As an alternative, each Partner may elect to amortize. Historically, 70% to 80% of GCW's Drill and Test Capital Contributions have been treated as IDCs.
- Intangible Completion Costs (ICC) – are fully deductible in the year costs are incurred.
- Lease & Well Equipment Depreciation (L&W) – L&W equipment costs are fully depreciated over 5 to 7 years depending on equipment type.
- Organizational Costs – These include legal and professional fees to organize and commence operations of a venture. These fees can be amortized over 5 years.
- Prospect Costs – These costs can be depleted and amortized over 24 months.
- Syndication Costs – Syndication costs must be capitalized and can only be written off as a capital loss upon termination of a venture.
- Lease Operating Expenses – Lease Operating Expenses begin once a well is in production. Expenses are netted against production revenue and are 100% deductible.
- Depletion Allowance – There is a tax deduction available for qualifying statutory depletion. Generally, 15% of the gross income from a producing well is tax-free subject to certain limitations.
- Net Revenue From A Producing Well – Net revenue from a producing well is treated as operating income; it is not treated as passive activity, and is considered self-employment income (schedule C). The self-employment tax rate is 15.3%.

\*\*Tax considerations vary depending on your personal tax situation. Please consult your tax advisor before making any oil and gas investment decision. Note that current law is subject to change.

The information contained on this website is neither intended nor written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on such person. Each potential partner should seek advice based on the taxpayer's particular circumstances from an independent tax advisor that is experienced in oil and gas taxation matters.

# NEW TRUMP TAX PLAN MAKES IDC'S 100% DEDUCTIBLE