THE U.S. SENATE COMMITTEE ON

ENERGY AND NATURAL RESOURCES

RANKING MEMBER SENATOR MARTIN HEINRICH

AMERICAN ENERGY INDEPENDENCE & TAX FAIRNESS ACT

For too long, large oil and gas companies have racked up record profits while using loopholes to avoid paying taxes on overseas oil production. This has left American families paying more and incentivized companies to invest overseas. The American Energy Independence & Tax Fairness Act will put an end to this by repealing outdated tax breaks that allow major oil and gas companies to reduce their U.S. tax obligations for overseas oil and gas extraction and production. The legislation will ensure that oil and gas companies pay their fair share while strengthening American energy independence and encouraging investment in domestic energy resources.

Specifically, the **American Energy Independence & Tax Fairness Act** will:

- Eliminate preferential tax treatment for foreign oil and gas extraction income, ensuring overseas fossil fuels profits are treated like other foreign business income under the U.S. tax code;

- Close loopholes that allow companies to generate additional foreign tax credits from shale oil and tar sands development; and

- Reform foreign tax credit rules to prevent oil and gas companies from misclassifying payments to foreign governments as taxes rather than royalties so they can reduce their U.S. tax liability.

BACKGROUND

For decades, the U.S. tax code included incentives to encourage overseas oil and gas production. Today, the United States is the world's leading oil and gas producer and a net exporter of fossil fuels. And these outdated tax provisions provide special treatment to some of the world's most profitable companies.

Recent analysis by the FACT Coalition found that from 2017 to 2025, major U.S. oil companies paid $135 billion in foreign taxes while only paying $29 billion in U.S. taxes. At the same time, the oil and gas industry continues to report record profits. Exxon and Chevron alone reported more than $26 billion in combined net income in the second quarter, with Exxon doubling its profits and Chevron reporting one of its most profitable quarters ever. These companies do not need taxpayer subsidies, especially for overseas extraction. Current tax breaks cost American taxpayers billions of dollars while encouraging continued dependence on volatile global fossil fuel markets and making it harder for cleaner energy technologies to compete.

The American Energy Independence & Tax Fairness Act ends these unnecessary subsidies and ensures the U.S. tax code works for American taxpayers – not just major oil and gas companies. By closing these loopholes, the legislation will strengthen American energy security, support domestic job creation, and help accelerate the transition to a more reliable and affordable energy future.