UT LAW CLE THE UNIVERSITY OF TEXAS SCHOOL OF LAW

PRESENTED AT

The University of Texas School of Law 15th Biennial Parker C. Fielder Oil and Gas Tax Conference

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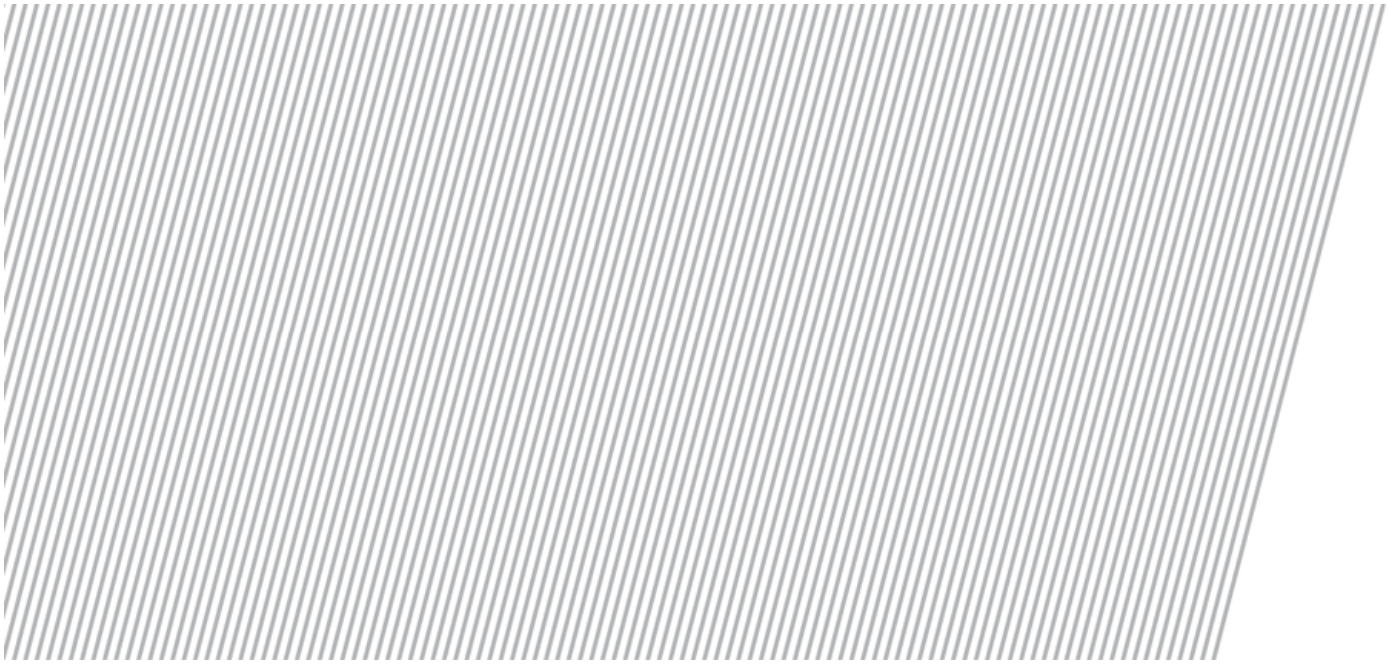
Investing and Financing in the Oil and Gas Industry

Greg Matlock (moderator)
Alison L. Chen
Tom Palmisano
James Reardon
Clifford Warren
Bill Wilson

Agenda

- Section 163(j) and implications to financing and investing in oil and gas
- Capital market trend
- Alternative financing
- International tax implications and considerations
- Ancillary matters

Section 163(j)



Section 163(j)

- Under Section 163(j), the amount of business interest that may be deducted/expensed by a taxpayer in a tax year may not exceed:
  - Business interest income of the taxpayer for the tax year +
  - 30% of the taxpayer's adjusted taxable income ("ATI") for the tax year +
  - Any floor plan financing interest of the taxpayer for such year
- Any business interest not deductible due to Section 163(j) is generally carried forward indefinitely.

Section 163(j)

- Section 163(j) applies to interest paid/incurred to related or unrelated parties (both foreign and domestic).
- Effective for tax years beginning after December 31, 2017.
- ATI is determined under Section 163(j)(8). ATI is determined without regard to, in part, in the case of tax years beginning before January 1, 2022, any deduction for depreciation, depletion, or amortization ("DDA").
  - ATI for tax years beginning on or after January 1, 2022, will be reduced by DDA.

Section 163(j)

- Impact of Section 263A on Section 163(j)(8)?
- How does Section 163(j) impact financing or evaluating transactions?
- Guaranteed payments for the use of capital vs. preferred interests

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