

119TH CONGRESS
2D SESSION

S. 4604

To amend the Internal Revenue Code of 1986 to modify certain percentage depletion rules with respect to oil and gas wells.

IN THE SENATE OF THE UNITED STATES

MAY 20, 2026

Mr. MARSHALL (for himself, Mr. CASSIDY, and Mr. MORAN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify certain percentage depletion rules with respect to oil and gas wells.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Protecting America’s
5 Small Oil and Gas Producers and Rural Jobs Act”.

6 **SEC. 2. MODIFICATION OF CERTAIN PERCENTAGE DEPLE-**
7 **TION RULES WITH RESPECT TO OIL AND GAS**
8 **WELLS.**

9 (a) PERCENTAGE DEPLETION RATE CALCULATION
10 MODIFIED WITH RESPECT TO MARGINAL PROPERTIES.—

1 Section 613A(c)(6)(C) of the Internal Revenue Code of
2 1986 is amended to read as follows:

3 “(C) APPLICABLE PERCENTAGE.—

4 “(i) IN GENERAL.—For purposes of
5 subparagraph (A), the term ‘applicable
6 percentage’ means the percentage (not
7 greater than 25 percent) equal to the sum
8 of—

9 “(I) 15 percent, plus

10 “(II) 1 percentage point for each
11 whole dollar by which \$70 exceeds the
12 reference price for crude oil for the
13 calendar year preceding the calendar
14 year in which the taxable year begins.

15 For purposes of this paragraph, the term
16 ‘reference price’ means, with respect to any
17 calendar year, the reference price deter-
18 mined for such calendar year under section
19 45K(d)(2)(C).

20 “(ii) PPI ADJUSTMENT.—

21 “(I) IN GENERAL.—In the case
22 of any taxable year beginning in a cal-
23 endar year after 2027, the \$70
24 amount in clause (i)(II) shall be in-
25 creased by an amount equal to—

1 “(aa) such dollar amount,
2 multiplied by

3 “(bb) the PPI adjustment
4 factor for such calendar year.

5 “(II) PPI ADJUSTMENT FAC-
6 TOR.—For purposes of subclause (I),
7 the PPI adjustment factor for any
8 calendar year is the percentage (if
9 any) by which—

10 “(aa) the PPI for the pre-
11 ceding calendar year, exceeds

12 “(bb) the PPI for calendar
13 year 2026.

14 “(III) PPI FOR ANY CALENDAR
15 YEAR.—For purposes of subclause
16 (II), the PPI for any calendar year is
17 the average of the Producer Price
18 Index for Drilling Oil and Gas Wells,
19 as published by the Bureau of Labor
20 Statistics of the Department of Labor,
21 as of the close of the 12-month period
22 ending on August 31 of such calendar
23 year.”.

24 (b) NONAPPLICATION OF TAXABLE INCOME LIMITA-
25 TION WITH RESPECT TO MARGINAL PROPERTIES.—Sec-

1 tion 613A(c)(6) of such Code is amended by adding at
2 the end the following new subparagraph:

3 “(H) NONAPPLICATION OF TAXABLE IN-
4 COME LIMITATION.—With respect to so much of
5 the allowance for depletion as is determined
6 under subparagraph (A)—

7 “(i) subsection (d)(1) shall not apply,

8 and

9 “(ii) the second sentence of subsection
10 (a) of section 613 shall not apply.”.

11 (c) DEPLETABLE OIL QUANTITY CALCULATION
12 MODIFIED.—Section 613A(c)(3)(B) of such Code is
13 amended by striking “1,000 barrels” and inserting “2,000
14 barrels”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2026.

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