

September 10, 2021

The Honorable Joe Manchin
United States Senate
306 Hart Senate Office Building
Washington, DC 20510

The Honorable Shelley Moore Capito
United State Senate
172 Russell Senate Office Building
Washington, DC 20510

Dear Senators:

As the Senate considers possible tax changes in connection with budget reconciliation legislation, the undersigned organizations urge you to retain the present-law percentage depletion tax deduction. The percentage depletion deduction contributes significantly to the role West Virginia coal, mineral, natural stone, aggregates, and independent oil and gas producers play in fostering continued economic prosperity in our state. Moreover, maintaining a strong natural resources production sector and limiting our dependence on foreign production is critical to the growth of the U.S. economy. Eliminating or reducing the present-law percentage depletion deduction would significantly harm the competitiveness of West Virginia and other American natural resources industries, including industries that are key employers in the communities we serve.

Under current law, taxpayers producing from mines, wells, and other natural deposits can claim as a deduction for depletion a percentage of the gross income from these properties. The percentage depletion deduction is an essential component of American mineral and other natural resources production operations and recognizes the unique nature of resources investments, which require significant financial commitments to long-term projects to deliver a competitive product at a low margin.

The percentage depletion deduction provides an effective way to account for the diminution of reserves within mines, wells, and other natural deposits, encouraging domestic production by providing a tax incentive to improve the cash flow for production operations. Percentage depletion was enacted so that the natural resources industries could account for the uncertainty in reserves and future revenues when investing in and developing and operating production projects in the United States. For all these reasons, the percentage depletion deduction is vitally important to West Virginia and other American natural resources operations and should be retained.

Increased taxes on natural resources extraction will pass through to customers and result in reduced demand for those resources and reduced West Virginia mining employment. Increased taxes will also result in increased electricity and fuel prices, increased costs for commodities and higher prices for consumers.

We cannot over-emphasize the importance of natural resources production to West Virginia. Mining alone provides nearly **67,000 jobs** in West Virginia -- 34,000 direct mining jobs as well as approximately 33,000 additional direct and induced West Virginia jobs, including those providing goods and services used by natural resources producers.

We very much appreciate your consideration of our concerns.

Sincerely,

WV Coal Association

Chris Hamilton, President

WV Gas & Oil Association (GO-WV)

Charlie Burd, President

WV Land & Mineral Owners Association

Michael Haid, Executive Director

Huntington Regional Chamber of Commerce

Bill Bissett, President

Beckley-Raleigh County Chamber of Commerce

Michelle Rotellini, President