

Elimination of Double Subsidies for the Hardrock Mining Industry Act

Legislation Led by Senators Jeanne Shaheen and Tom Udall



The Elimination of Double Subsidies for the Hardrock Mining Industry Act (S.714), introduced by Senators Jeanne Shaheen and Tom Udall, would protect taxpayers and reduce the federal deficit by eliminating antiquated tax breaks for mining companies that currently operate royalty-free on federal land.

According to a 2016 analysis from the nonpartisan Joint Committee on Taxation, the legislation would reduce the federal deficit by nearly \$330 million over 10 years.

The percentage depletion allowance allows a significant tax break for U.S. hardrock mining companies (mining gold, silver, copper, iron ore, etc.) beyond those granted to other private industries. Enacted in 1932, the percentage depletion allowance permits a mining company to deduct a set percentage amount of its gross annual income when calculating its federal income tax. This tax break applies nationwide to mining operations on private and public lands. The rationale for such a tax break is to provide incentives to increase investment, exploration and output. The problem, however, is that the percentage depletion also makes it possible to recover many times the amount of the original investment.

The rates for percentage depletion are quite significant: the Internal Revenue Code authorizes depletion allowances for more than 70 metals and minerals at rates ranging from 10-22 percent. The depletion allowance makes sense only if the deducting company actually pays for the investment for which it claims the deduction. However, the mining industry pays nothing for minerals on public lands.

The Shaheen-Udall hardrock mining legislation would repeal the percentage depletion allowance for mining on public lands. Mining companies would still be able to claim deductions based on actual capital investment.

This legislation has been endorsed by the following organizations:

- Earthjustice
- Earthworks
- Natural Resource Defense Council
- Public Citizen
- Sierra Club
- Taxpayers for Commons Sense
- The Wilderness Society
- Western Organization of Resource Councils