

106TH CONGRESS  
1ST SESSION

# H. R. 423

To amend the Internal Revenue Code of 1986 to allow a 5-year net operating loss carryback for losses attributable to operating mineral interests of oil and gas producers.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 19, 1999

Mr. THOMAS (for himself, Mr. WATKINS, Mr. COOKSEY, Mr. BONILLA, Mr. MCINNIS, and Mr. SMITH of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a 5-year net operating loss carryback for losses attributable to operating mineral interests of oil and gas producers.

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. 5-YEAR NET OPERATING LOSS CARRYBACK FOR**  
4 **LOSSES ATTRIBUTABLE TO OPERATING MIN-**  
5 **ERAL INTERESTS OF OIL AND GAS PRODUC-**  
6 **ERS.**

7 (a) IN GENERAL.—Paragraph (1) of section 172(b)  
8 of the Internal Revenue Code of 1986 (relating to years

1 to which loss may be carried) is amended by adding at  
 2 the end the following new subparagraph:

3                   “(H) LOSSES ON OPERATING MINERAL IN-  
 4                   TERESTS OF OIL AND GAS PRODUCERS.—In the  
 5                   case of a taxpayer which has an eligible oil and  
 6                   gas loss (as defined in subsection (j)) for a tax-  
 7                   able year, such eligible oil and gas loss shall be  
 8                   a net operating loss carryback to each of the 5  
 9                   taxable years preceding the taxable year of such  
 10                   loss.”

11           (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 of  
 12 such Code is amended by redesignating subsection (j) as  
 13 subsection (k) and by inserting after subsection (i) the fol-  
 14 lowing new subsection:

15           “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of  
 16 this section—

17                   “(1) IN GENERAL.—The term ‘eligible oil and  
 18                   gas loss’ means the lesser of—

19                           “(A) the amount which would be the net  
 20                   operating loss for the taxable year if only in-  
 21                   come and deductions attributable to operating  
 22                   mineral interests (as defined in section 614(d))  
 23                   in oil and gas wells are taken into account, or

24                           “(B) the amount of the net operating loss  
 25                   for such taxable year.

1           “(2) COORDINATION WITH SUBSECTION  
2           (b)(2).—For purposes of applying subsection (b)(2),  
3           an eligible oil and gas loss for any taxable year shall  
4           be treated in a manner similar to the manner in  
5           which a specified liability loss is treated.

6           “(3) ELECTION.—Any taxpayer entitled to a 5-  
7           year carryback under subsection (b)(1)(H) from any  
8           loss year may elect to have the carryback period  
9           with respect to such loss year determined without re-  
10          gard to subsection (b)(1)(H). Such election shall be  
11          made in such manner as may be prescribed by the  
12          Secretary and shall be made by the due date (includ-  
13          ing extensions of time) for filing the taxpayer’s re-  
14          turn for the taxable year of the net operating loss.  
15          Such election, once made for any taxable year, shall  
16          be irrevocable for such taxable year.”

17          (c) EFFECTIVE DATE.—The amendments made by  
18          this section shall apply to net operating losses for taxable  
19          years beginning after December 31, 1997.

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