affordable care act increases competition and price transparency through these health insurance exchanges we established. Fifth, the law establishes an independent body to recommend policies to Congress to help Medicare lower costs while providing better care. I can go into quite a discussion of the advisory board we established to try to control growth in the cost of Medicare. I think it is a very meritorious provision and one about which a great deal of bad information has been provided.

In conclusion, the facts demonstrate clearly to me that these reforms will move us forward toward more affordable health care, with greater choice for American families. We will see less waste. We will see less inefficiency in our health care system. We will see higher quality of care. We will start to bring rising health care costs under control.

These are worthy goals. They are the goals of this health care reform legislation. I look forward to seeing them achieved in the coming months and years.

Again, I thank my colleague for his courtesy in allowing me to continue longer than was planned.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oklahoma.

## ENERGY

Mr. INHOFE. Mr. President, we are going to have a vote this afternoon. It is going to be a procedural vote. Some will be voting different ways. There is a substance behind the issue at large.

Last week, President Obama visited Cushing, OK. It may have been the first time he has ever been to Oklahoma. I do not know. He claimed that under his watch, he said, ''America is producing more oil today than at any time in the last 8 years.'' It seems that in the midst of $4- to $5-a-gallon gasoline, he is trying to convince the American people he is not one to blame. Clearly, he is the one to blame.

That is why I think it is important to set the record straight. After all, it was Obama's Energy Secretary Steven Chu—we cannot forget this—who said: ''Somehow we have to figure out how to boost the price of gasoline to the levels in Europe.'' That was his Energy Secretary who was speaking on behalf of President Obama.

So the motive is to raise the price of gas. Right now, we are almost over halfway there. We all remember the President's statement during the 2008 campaign when he said: ''Under my plan, electric rates will necessarily skyrocket.'' His policy agenda has been in lockstep with this goal.

President Obama has had a 4-year war on fossil fuels, and now we are paying for that at the pump. As to the oil and gas taxes, nowhere has the President been more resolute in stopping oil and gas development than in his tax proposals, every budget since he was sworn in. Now we are talking about four budgets this President has presided over. Keep in mind, when a budget is designed by a President, whether he is a Democrat or Republican, it is the President, not the Democrats, not the Republicans, not the House, not the Senate, it is the President who is responsible for that budget.

In every budget the President has called for the elimination of all tax provisions made available to the oil and gas industry. This year these tax increases totaled about $40 billion over 10 years. So while the President was going around the country last week trying to convince everyone he is actually pro oil and gas, he laid the groundwork for Senator MENENDEZ to push a bill through the Senate to raise taxes on the industry.

Senator MENENDEZ's bill, S. 2204, proposes to either modify or outright cancel the following tax provisions for major integrated oil and gas firms. First, the section 199 manufacturer's tax deduction; secondly, intangible drilling costs, sometimes referred to as IDC; third, the percentage depletion; and, four, the foreign tax credit for oil and gas firms.

Last time we actually had a vote in the Senate on these provisions was in June of 2010. I remember it very well because that was when the distinguished Senator from Vermont Mr. SANDERS offered an amendment that would have raised taxes on oil and gas producers by $35 billion over 10 years by repealing section 199—same thing he is trying to do—percentage depletion and IDC.

While the Menendez bill is a little different, it applies to the larger companies, those with substantial production levels. It is important to point out that the Sanders amendment—and I led the opposition to the Sanders amendment—was defeated almost 2 to 1, 35 to 61.

The President insists these tax and accounting provisions are actually subsidies, but nothing can be further from the truth. This has not been done yet, to my knowledge—been explained. It is so important people understand what these provisions are.

Section 199 is the manufacturer's tax deduction. Section 199 was added to the Tax Code as a part of President Bush's 2004 tax law. It was designed to support domestic manufacturing, and it did this by providing a 9-percent tax deduction for manufacturers, effectively lowering their tax rates from 35 to 32 percent.

The provision was phased in between 2005 and 2010. But, in 2008, something strange happened. The oil and gas industry was singled out so it could only claim a portion of that deduction. In other words, all other manufacturers of all other goods in America could claim that deduction, except oil and gas.

The Menendez proposal would repeal section 199 from major integrated oil companies. In the President's budget, a similar proposal was scored at $11.6 billion. I am going to add all these in a minute and let everyone know why we are paying so much at the pump. What is most interesting to me about the section 199 tax deduction is that it is available to any company in the United States that creates any kind of manufactured goods here at home.

Firms that build and sell refinery equipment, airplanes, washing machines can all claim the deduction. It may be surprising, however, that the deduction is also available for movie producers—not oil and gas producers but movie producers. That is right. The American film industry can claim a deduction for making movies. So President Obama and Senator MENENDEZ are putting their Hollywood friends and movie stars ahead of an industry that makes us less reliant upon oil imports from the Middle East. There is no surprise there.

The next thing is—that was section 199. That is a manufacturer's deduction, applies to all, and benefits all manufacturers to encourage domestic manufacturing.

The second thing is intangible drilling costs, IDC. This is a little bit more complicated. But the intangible drilling costs are expenses oil and gas firms incur when they drill and prepare new wells. These costs often total between 60 and 80 percent of a well's cost. They are generally not recoverable and include things such as site preparation, labor, design.

Intangible drilling costs are firmly grounded in sound accounting principles. Every basic accounting course discusses the principles of cost recovery. It is safe that businesses should be allowed to write off their expenses from the revenue they earn to account for the cost of doing business. That is logical. No one is going to disagree with that.

When purchasing substantial capital equipment, depreciation is often used to recover the costs of an investment over its useful life. But things such as wages are nearly always deducted immediately because once a company has paid an employee for work, it has no lasting value. To retain the value, they have to keep paying the employee. Hence, it is an immediate expense, and it is deducted from the revenue when determining the net profit.

The IDC deduction has been on the books since 1913. This is not anything new. We have lived with it for almost a century.

Most of the costs associated with the preparation of new wells should be classified as an immediate expense—things such as labor. The expenses of IDCs make sense. To claim it is a subsidy is totally dishonest. Every company, regardless of whether it is an oil or gas firm or any other company, is allowed to recover costs associated with their investments in business operations. If this is going to be labeled a subsidy for the entire economy, then we have big problems.

Current law allows most oil and gas firms to write off these expenses as an alternative to capitalizing their costs into the total value of the asset being developed and then depreciated. But at some point along the way, the law was changed so that major integrated oil firms are required to capitalize 30 percent of their IDCs and amortize them over a 60-month period.

The Menendez bill would eliminate this option and require oil and gas firms to capitalize all of their IDCs. A similar proposal was in the President's budget scored as a $13.9 billion tax increase. We are going to add that up in a minute. Together with the repeal of section 199, an IDC should compromise 10 percent of America's oil and gas production capacity by 2017. This translates into a potential loss of 59,000 jobs, 600,000 barrels of oil a day in domestic production, and the loss of $15 billion in capital expenditures in 2012, and potentially $130 billion over the next 10 years.

Percentage depletion is very similar. It has been with us. Since 1926, small producers and millions of royalty owners have had the option to utilize percentage depletion to both simplify their tax filing and to account for the decline in the value of the minerals produced from their properties. Current law allows small producers to take a 15 percent deduction from the gross income from a given producing property in lieu of a complicated depreciation deduction. This tax provision is particularly important for the production of America's nearly 700,000 low-value, marginal wells, making it essential to Oklahoma.

Even though the small marginal wells only produce about two barrels a day, they account for 28 percent of the total production. We are one of the, if not the, largest marginal States out there. These are truly the little guys, and the President wants to go after them and destroy the incentives that keep the older wells producing by repealing percentage depletion. If he were able to do this, it would increase taxes on the industry by $11.5 billion.

What is most interesting about the Menendez proposal is that it only applies to major integrated oil companies, which are not even allowed to claim percentage depletion, proving that 2204 is nothing more than political theater.

As to the modification of the foreign tax credit for dual capacity taxpayers, the United States is one of the only developed—I think it is the only developed country in the world that has a global corporate tax system. This means the IRS and Uncle Sam reach all over the world to tax profits made by U.S. companies outside of our borders.

When we combine this with our 35-percent corporate tax rate, which is one of the largest and highest on Earth, our corporate tax policies are the worst in the world.

The global corporate tax system works like this: When a U.S. firm is operating overseas, they pay taxes on those profits in the country in which they are operating. For example, a U.S. company makes a product in South Korea, sells it to the South Koreans, and they make a $1 million profit. Because their corporate rate is 22 percent, as opposed to ours at 35 percent, the firm pays $220,000 in taxes. That makes sense.

If a U.S. firm has made the same product and profit in the United States, it would be subjected to a 35-percent tax, which would be $350,000 in corporate taxes. This also makes sense except it is too high. However, because of our global corporate tax system, if a firm does this same thing in Korea, they have to pay the differential between 22 percent and 35 percent when they bring the money back into the United States.

Wait, we want to bring the money back. We want to stimulate our economy. Why would they have a disincentive to bring that money to invest in America? In this example, a U.S. firm would have to pay an additional $130,000. They would be doing a great thing for foreign countries but certainly not for us. It doesn't make any sense at all.

Senator MENENDEZ's bill makes this awful policy even worse by limiting the ability of major integrated oil firms to account for the taxes they pay in other countries when they calculate what they owe the United States.

The President made a similar proposal in his budget this year, and if enacted it would raise taxes by about $10 billion over 10 years. You would pay for more of this at the pump. Instead of making the corporate tax system even less competitive than it is today, we should aim to completely reform it so we move to a territorial system that doesn't reach outside our borders to collect more taxes.

Those are the major provisions of the Menendez-Obama bill. If they were enacted to the extent proposed by President Obama's budget, they would be a tax hike of $47.1 billion.

Again, that relates to the cost of gas at the pump. The President claims he is doing this in the name of forcing the oil and gas industry to pay its fair share. He claims it would not harm domestic oil production. But this claim rejects the well-known process companies follow when making investment decisions. Successful oil and gas companies, like those in all industries, are faced with seemingly endless opportunities. To sort through the opportunities they have to have a way to rationally decide which projects are in the best interest of their investors and which are not. Most companies do this by determining which investments will give the highest rate of return given the risk.

Taxes play an incredibly important role in this matter. If taxes increase, then cash flow from the project decreases. Therefore, taxes in the United States increase; the competitiveness of domestic projects decreases significantly relative to the opportunities available abroad.

When the rubber meets the road, this means the U.S. oil and gas firms—especially the big ones—targeted by the Menendez-Obama bill will be more likely to select international projects than U.S.-based projects, and this is bad for our economy.

As to the other ways Obama is killing oil and gas, the taxes aren't the only thing the President is doing. They are significant. I mentioned four of them that are significant. But look at the Keystone Pipeline.

I just got back from Oklahoma, a visit there. It is another example of why he was in Cushing, OK, the central part of Oklahoma. For those who are not familiar with it, that is sort of the intersection of all of the pipelines. He said he was going to expedite the permitting of the southern leg of Keystone. That would be the leg going from Cushing, OK, down to the Houston area. What he didn't say is that this is the part he doesn't have any control over.

In other words, he has no control over the southern half. The reason he does over the northern half is because that crosses a country boundary from Canada to the United States. But he doesn't have a say in this. He could not stop it if he wanted to. Obviously, he would want to because he has demonstrated that. Moreover, his action to block the northern leg is preventing the immediate creation of over 20,000 jobs and up to 465,000 jobs by 2035. I don't think anybody argues with that analysis.

The President's effort to stop hydraulic fracturing is another example. Much of today's renaissance in oil and gas production is the result of the advancements in this technology. He has done everything he can to paint a nasty and suspicious picture of it. He has 10 Federal agencies, including the EPA, the Department of Energy, and the Bureau of Land Management looking at ways to regulate hydraulic fracturing at the Federal level. In addition, he has also kept millions of Federal lands off-limits to oil and gas.

As far as the hydraulic fracturing, I know a little about that; we had the first hydraulic fracturing that took place in Duncan, OK, in 1949. There has not been one documented case of ground water contamination using hydraulic fracturing. The only reason he is opposed to it is that this is part of his war on fossil fuels. If he can stop hydraulic fracturing, he will stop all of these types of production, and everybody knows that. We have already done that.

So we have the tax problems, the pipeline, and hydraulic fracturing. In addition to that, his attempt has been to stop production on Federal lands and make Federal lands off-limits to oil and gas exploration, and even through some lease-sales conducted during the Bush administration, citing the need for more environmental review.

Today—and this is significant—83 percent of Federal onshore lands are inaccessible or restricted to drilling. No drilling is allowed on the entire east and west coasts. No drilling is allowed in ANWR, in Alaska, and very limited drilling is in the gulf.

Oil and gas production is skyrocketing in States such as North Dakota and Texas simply because the President has very little control over the drilling there. That is not Federal land. This is in Texas, Oklahoma, and North Dakota. The Congressional Research Service concurs, stating in a recent report that about 96 percent of the increase in oil and gas production since 2007 took place on nonfederal lands. In other words, it has happened in spite of the President's efforts. The President imposes all of these punitive taxes because he doesn't have control over private lands. He tries to say: In my administration we expanded production. That has happened in spite of his policies.

At end of the day, all of President Obama's oil and gas policies make it harder for U.S. firms to justify projects at home. This is to the detriment of our economy. Just look at the increase in taxes, the killing of the pipelines, the stopping of hydraulic fracturing, making drilling off-limits. To let you know what States are missing out on, a Friday New York Times front-page article ran about oil and gas development going on in west Texas describes how this helped the local economy, saying new-found wealth is spreading beyond the fields in nearby towns.

Petroleum companies are buying so many pickup trucks that dealers are leasing parking lots the size of city blocks to stock their inventory. Housing is in such short supply the drillers are importing contractors from Houston. The hotels are leased out before they are even built. Two new office buildings are going up in Midland, a city of just over 110,000 people—the first in 30 years—while the total value of downtown real estate has jumped 50 percent since 2008, with virtually no unemployment.

Restaurants cannot be found. They cannot find people to work because they are fully employed. One of the individuals from Oklahoma, a great producer, went up to North Dakota. He is up there right now. I talked to him yesterday and he said: The biggest problem we have is that we cannot hire anyone. It is full employment. Things are great.

That is what the rest of the country is missing out on. When we make the United States less competitive for U.S. oil and gas firms, as the President's tax policies propose, this sort of red-hot growth goes to places such as Azerbaijan and Nigeria instead of Midland, TX, and Oklahoma City. Rather than help our economy, the President's tax policies make us more reliant on foreign oil imports from unstable regions of the world.

I don't know about you, but I would rather see pickup truck dealerships running out of vehicles to sell in Cushing, OK, than in Caracas, Venezuela.

The President will not admit this, but we have seen what punitive tax hikes do to the oil and gas industry. They hurt our economy. President Carter, way back in the early eighties, confirmed this with the windfall profits tax. He was going to punish the bad oil companies. As a result of that, it decreased domestic production by 3 to 6 percent, which increased American dependence on foreign oil sources by 8 to 16 percent. Almost all of it was from the Middle East. It doubled our dependence by putting taxes on the oil industry here. A side effect was also declining, not increasing, tax collections.

Since we know what happens when we do this sort of thing, we don't need to try the experiment again. Regardless, the President and most on the left insist that taxpayers are subsidizing oil and gas firms. But, apparently, they have not been reading the facts.

The Tax Foundation recently estimated that between 1981 and 2008, oil and gas companies sent more money to Washington and State capitols than they earned in profits for shareholders.

The administration's own Energy Information Administration reported that the industry paid about $35.7 billion in corporate taxes in 2009.

The oil and gas industry sends $86 million per day to Federal and State governments, and their effective income tax rate is over 41 percent, which may be the highest of any industry in America. But the President and congressional Democrats want them to pay more.

In addition to these tax increases, Secretary Salazar recently told Congress his department is planning to raise the onshore royalty rate by 50 percent. These are the royalty rates to ensure taxpayers get a fair return on the development of oil and gas leases on public lands. If what we are trying to do is raise more revenue, we should get it by growing the economy.

We have used the figure over and over that with each 1 percent increase in economic activity that translates into about $50 billion in new revenue. We can do that by unlocking more domestic supply for development, and this will lower prices at the same time. We have plenty of it. The CRS report recently stated we have the largest combined oil, natural gas, and coal recoverable reserves on Earth—more than any other country, more than Saudi Arabia, more than any other country. This means we have a 50-year supply of oil in present consumption in the United States, for 50 years, just exporting our own development or 90 years' supply of natural gas.

At the end of the day, this bill, and the rest of the President's proposals, will only make U.S. oil firms less competitive compared to their international peers. It will raise the cost of energy by restricting global prices. It will force us to become more reliant on others, which will make us more vulnerable from a defense and economic security perspective. The only way to resolve this problem and to do something about reducing the price at the pump is to start developing our own resources.

A minute ago I talked about what is happening in Midland, TX, and North Dakota, and what is happening in some areas in Oklahoma. I can remember when I was a little kid I worked on cable-and-tool rigs. That was very difficult at the time.

A man by the name of A.W. Swift had 18 cable-and-tool rigs. At that time, instead of rotaries, they would pound down. Sometimes I would work two shifts. One night I was working the second shift, and the well blew up. The owner had one son named Burt. Burt was killed and I wasn't. When I stop to think about the prosperity in those days of the oil and gas industry in Oklahoma, I think about the nearby town of Pawhuska, where people had to wait in line to pay their lunch bill. It was full employment and not an empty storefront. But up until we started producing again in Oklahoma, it was very much almost a ghost town.

Now things are coming back, and we can take advantage of that. In spite of the tax policies of President Obama, we are coming back, and we can do this throughout the United States. The most important thing we can do is make sure the Menendez-Obama bill to increase taxes on the oil and gas companies in the United States is defeated. We hope we have the opportunity to do that.

With that I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. INHOFE. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

Mr. TESTER. Without objection, it is so ordered.

## CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

## REPEAL BIG OIL TAX SUBSIDIES ACT—MOTION TO PROCEED

The PRESIDING OFFICER. Under the previous order, the Senate will resume consideration of the motion to proceed to S. 2204, which the clerk will report.

The legislative clerk read as follows:

Motion to proceed to Calendar No. 337, S. 2204, a bill to eliminate unnecessary tax subsidies and promote renewable energy and energy conservation.

The PRESIDING OFFICER. Under the previous order, the time until 5:30 p.m. will be equally divided between the two leaders or their designees.

Mr. INHOFE. Mr. President, I ask unanimous consent that the time on each side be equally divided during the quorum calls.