PRIME

OIL AND GAS



If you're looking for ways to offset a significant amount of taxable income and are open to alternative investments, oil and gas projects may be worth exploring. These investments typically involve direct participation in domestic drilling operations, which allows for more favorable tax treatment than traditional market-based investments.

One of the main advantages is the ability to deduct a large portion of your investment in the first year. Intangible drilling costs (IDCs)—like labor, services, and non-recoverable materials—can often be fully deducted upfront, while remaining costs such as equipment are depreciated over time, creating additional deductions in future years.

In certain structures, such as a working interest, losses may be used to offset active income rather than being limited by passive activity rules. For the right investor, this combination of immediate deductions and ongoing tax benefits can be a powerful way to reduce taxable income—though it's important to weigh that against the inherent risks of the investment.

QUALIFICATIONS

This strategy is typically a fit for individuals who have access to direct oil and gas investments and are looking to offset a meaningful amount of taxable income.

Unlike traditional investments, this strategy generally requires you to participate directly in a drilling project—meaning you're not just buying stock, but taking on a more active ownership role. Timing can also play a role, as the ability to claim deductions is often tied to when the investment is made and when drilling activity begins.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

Investment Structure + Participation

- You have a direct ownership interest in a domestic oil and gas project (commonly a working interest), rather than investing through public markets.
- The structure allows for active participation, which may enable losses to offset active income rather than being limited by passive activity rules.

Risk + Economic Exposure

- You are financially at risk for the investment, meaning your capital is tied to the success or failure of the project.
- Your return is directly connected to the production of the well, not just appreciation of an asset.

Income Profile

- You have significant taxable income and are looking for larger, upfront deductions.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

©2026 Prime Corporate Services. All Rights Reserved.

PRIME