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Certified Public Accountants

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Here's the Tax Beat broadcast for March 11, 2026

Subject Line: Crude Awakening

In the summer of 1973, American drivers waited in lines stretching around city blocks, sometimes for hours, only to find the pumps dry. The Arab oil embargo sent crude from roughly \$3 a barrel to nearly \$12 almost overnight — a 300% spike in a matter of months. President Nixon asked Americans to skip the Christmas lights, which was a real sacrifice for a guy who loved a photo op. Congress set a national speed limit of 55 mph to save fuel and convinced itself Americans would comply. (They did not.) The ripple effects rewrote the economy, the tax code, and the way families thought about money. Nothing focuses the mind like \$1.50 gasoline.

History has a funny habit of rhyming, and an even funnier habit of hitting you in the wallet. With oil prices spiking again as Middle East conflict disrupts supply chains, Americans are feeling that familiar pump sting. But here's what most people miss: energy shocks don't just affect your commute. They reshape the tax landscape. But the shock to the system is still predictable — *if* you know where to look. Most people don't. That's why we're here to separate the crude from the refined.

This is the core lesson of proactive tax planning: the tax code isn't a fixed structure you file against once a year and forget about until the W-2s arrive. It's a living system that responds to economic conditions, and when oil goes from \$70 to \$100-plus a barrel, your tax strategy needs to move with it. Waiting until next April to figure this out is like checking the weather after you're already soaked.

Start with energy-related investments. IRC Section 613A governs percentage depletion allowances, letting independent oil and gas producers deduct 15% of gross income from qualifying wells. When prices soar, royalty and working interest income soars too. That makes the depletion deduction more valuable. Taxpayers holding oil and gas partnerships through K-1s may find themselves with unexpected passive income triggering the 3.8% net investment income tax. The time to plan is now — not April next 14th, when your tax preparer is running on cold brew and adrenaline.

As for business owners, they face a genuine opportunity here. The IRS standard mileage rate is 72.5 cents per mile. But that figure was set before this price spike, and it hardly ever reflects your actual costs. Switching to actual expense tracking mid-year is possible under certain circumstances, and for some businesses the math can be substantial. A company running a fleet might recover thousands in additional deductions. The IRS isn't going to call and tell you that. Shockingly.

For individuals, the ripple effects are subtler but equally real. Energy-driven inflation pushes workers into higher nominal wages and higher tax brackets even when purchasing power hasn't moved. Economists call

this "bracket creep." We call it annoying. While the IRS indexes brackets annually, energy shocks can outpace those adjustments fast. You need strategies like deferring income into a 401(k) to escape your peak marginal rate entirely. Those aren't loopholes – they're sound planning.

There's also the windfall side. High oil prices can be a bonanza for energy-sector employees with options, bonuses, and profit-sharing. The ISO and NSO rules under IRC Sections 422 and 83 haven't changed, but your window for exercising options at favorable rates may be narrowing fast. Don't wait for the price to peak and then ask us what happened.

The 1973 embargo eventually ended, lines disappeared, and crude fell back. But the Americans who used that disruption to restructure their finances came out ahead of those who just waited for normal to return. When the economic weather turns, the smartest move is updating your tax map before the storm hits. We'll help you strike it rich without getting drilled by the IRS.

Kevin

