Hopkins CPA Says 2026 Deduction Planning Is Shifting for Oil and Gas Investors

Texas CPA Joe Hopkins says restored 100% bonus depreciation is reshaping 2026 deduction models for oil and gas working interest investors.

CORPUS CHRISTI, TX, UNITED STATES, August 14, 2026 /EINPresswire.com/ -- Joe Hopkins CPA Explains Why an Outdated Bonus Depreciation Assumption Is Reshaping How Investors Model Energy Projects

> The rules changed in the investor's favor, but only if your model reflects that. A lot of 2026 projections still don't."
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> *Joe Hopkins, CPA, MBA, Founder, Hopkins CPA Firm*

Joe Hopkins, CPA, MBA, and founder of Hopkins CPA Firm, is advising oil and gas investors that many of the deduction assumptions built into current project models are now out of date. For several years, investors and their advisors planned around a bonus depreciation benefit that was scheduled to shrink every year until it disappeared entirely.

That assumption no longer holds, and investors who have not revisited their models may be underestimating what they can actually deduct in 2026.

Why the Old Bonus Depreciation Assumption No Longer Applies

Under the original 2017 tax law, bonus depreciation was set on a fixed phase-down schedule. The deduction dropped from 100 percent to 80 percent in 2023, 60 percent in 2024, and 40 percent in 2025, with a further drop to 20 percent in 2026 before disappearing completely in 2027. For years, this declining schedule shaped how oil and gas investors modeled the tax benefit of equipment and drilling-related property.

That schedule changed. Legislation signed in 2025 restored 100 percent bonus depreciation permanently for qualifying property acquired and placed in service after January 19, 2025. Investors working with a CPA Corpus Christi Tax practitioner are finding that models built around the old phase-down no longer reflect current law, and in most cases significantly understate what is now deductible.

What This Means for Oil and Gas Investment Models

For working interest investors, this shift affects two categories of drilling costs differently.

Tangible drilling costs, which include equipment such as wellheads, casing, tubing, and storage tanks, typically represent 25 to 30 percent of total well costs and were traditionally depreciated over a seven-year schedule. Under the restored bonus depreciation rules, these costs can now be deducted in full during the year the property is placed in service, rather than recovered gradually.

Intangible drilling costs, which cover labor, drilling fluids, and site preparation and typically make up 70 to 80 percent of a well's total cost, have long been fully deductible in the year incurred under a separate provision of the tax code and were not affected by the bonus depreciation phase-down.

When the restored treatment for tangible costs is combined with the existing deduction for intangible costs, investors in many cases can now deduct nearly the full amount of their investment in the first year, a very different outcome than models built around the 20 percent bonus depreciation rate previously scheduled for 2026.

"If you modeled a 2026 project assuming 20 percent bonus depreciation, you're working from outdated numbers. The rules changed in the investor's favor, but most people haven't updated their projections. That means they're missing out on much larger deductions," said Joe Hopkins, CPA, MBA, and founder of Hopkins CPA Firm.

Additional Considerations for Working Interest Investors

Beyond the depreciation treatment, working interest investments in oil and gas carry other provisions that affect how deductions and income are treated. A percentage depletion allowance permits investors to deduct a portion of gross income from production, and working interest holders are generally exempt from passive activity loss limitations that apply to many other types of investments, which allows losses in some cases to offset other active income.

These provisions interact with the depreciation changes in ways that make individual modeling important rather than relying on general assumptions.

"None of these provisions work in isolation," Hopkins noted. "How much of a project's cost is tangible versus intangible, when the property was placed in service, and how the investment is structured all affect the final number.

That's why a model that was accurate two years ago may not be accurate today. This is exactly the kind of layered analysis our team works through with clients, drawing on decades of combined experience across tax planning, IRS matters, and complex investment structures."

Reviewing Models Before Year-End

With the third quarter underway, investors still have time to review current-year project models against updated depreciation rules before year-end filing decisions are finalized. Hopkins CPA Firm works with clients on tax planning services in Corpus Christi to help business owners and investors confirm that their financial models reflect current law rather than assumptions that may be several years out of date.

Investors who have not reviewed their oil and gas project models since the depreciation rules changed are encouraged to do so before finalizing their 2026 tax strategy, particularly if prior projections were built using the previous phase-down schedule.

About Hopkins CPA Firm

Hopkins CPA Firm is a Corpus Christi, Texas-based accounting and tax advisory firm founded by Joe Hopkins, CPA, MBA, and former CFO with more than 30 years of experience. The firm's team includes former IRS agents, advanced tax planners, and tax attorneys with more than 150+ years of combined professional experience, and it serves clients across all 49 states. Hopkins CPA Firm provides tax planning, tax preparation, IRS resolution, and business advisory services to individuals and business owners, with particular experience serving clients in the oil and gas industry. For more information, visit our website.

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