Tax Windfall for Deepwater Horizon Settlement a 'Major Coup for BP'

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In the six years since BP's catastrophic Deepwater Horizon spill poured millions of gallons of oil into the Gulf of Mexico, environmentalists, Gulf coast residents, and politicians have clamored for justice. But Monday's historic $20 billion settlement against the oil giant is not what they hoped it would be.

The settlement's terms are so generous to BP that it amounts to a tax break worth billions—as some observers predicted.

A whopping $15 billion of the $20 billion settlement can be written off by BP as a "normal operating expense," meaning the multinational corporation will pay only a fraction of the total settlement amount and American taxpayers will be left with the majority of the astronomical costs of the company's mistake.

"We are saddened to learn that the gross negligence of BP continues to enjoy taxpayer subsidies," said Lukas Ross, climate and energy campaigner with the environmental group Friends of the Earth.

"Treating the worst oil spill in U.S. history as an ordinary and necessary business expense boggles the mind," Ross continued. "Nearly six years to the day since this tragedy began to unfold, it is clear that we have still failed to learn all the lessons of the Deepwater Horizon."

Presidential hopeful Bernie Sanders also voiced his disapproval of the deal:

> *Making the American taxpayer pick up BP's bill for cleaning the disastrous Deepwater Horizon spill is an outrage. https://t.co/Tn3owikZ8X*
>
> *— Bernie Sanders (@BernieSanders) April 5, 2016*

Legal journalist at *Forbes* Robert W. Wood notes that just $5.5 billion of the settlement "is indicated explicitly as a penalty under the Clean Water Act," and it is only this portion of the settlement which is not tax-deductible. However, "the federal government could have received as much as a $13.7 billion penalty under that Act based on a recent finding by a New Orleans judge that the spill was the result of 'gross negligence,'" he argues.

"The oil giant already wrote off the cost of its cleanup effort after the spill," Wood writes, "Yet remediation is supposed to be tax deductible and penalties are not. Even for this penalty money, though, companies often find a way to deduct payments unless the settlement or consent documents expressly prohibit it."

The massive tax break "is a major coup for BP," says Wood, "which is doing all it can to make sure BP doesn't stand for 'big penalty.'"

Of course, BP wasn't the only player making sure this was the outcome. *Huffington Post* reporter Nick Visser delves into how U.S. officials took deliberate steps to ensure BP could evade paying the majority of the settlement:

> *Shortly after BP agreed to the terms of the settlement last year, 53 members of Congress asked Attorney General Loretta Lynch to deny the company the ability to deduct the expenses from its taxes. Such a provision would've matched the terms of the $5.5 billion in fines for the company's*

> *violation of the Clean Water Act, which prohibit the company from claiming them as a business expense.*
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> *The International Business Times notes the U.S. tax code allows punitive damages to be written off as a business expense, as BP will be allowed. But provisions added to settlements can restrict this freedom.*

BP is not only receiving this eye-popping tax break for being behind the worst oil spill in U.S. history—the company has actually expanded operations in the Gulf in the years since, as the *Atlantic* reported in 2014.