



The enhanced oil recovery credit under § 43 for any taxable year is reduced if the “reference price,” determined under § 29(d)(2)(C), for the calendar year preceding the calendar year in which the taxable year begins is greater than \$28 multiplied by the inflation adjustment factor for that year.

The term “inflation adjustment factor” means, with respect to any calendar year, a fraction the numerator of which is the GNP implicit price deflator for the preceding calendar year and the denominator of which is the GNP implicit price deflator for 1990.

Because the reference price for the 1997 calendar year (\$17.24) does not exceed \$28 multiplied by the inflation adjustment factor for the 1998 calendar year, the enhanced oil recovery credit for qualified costs paid or incurred in 1998 is determined without regard to the phase-out for crude oil price increases.

Table 1 contains the GNP implicit price deflator used for the 1998 calendar year, as well the previously published GNP implicit price deflators used for the 1991 through 1997 calendar years.

Notice 98-41 TABLE 1 GNP IMPLICIT PRICE DEFLATORS	
<i>Calendar Year</i>	<i>GNP Implicit Price Deflator</i>
1990	112.9 (used for 1991)
1991	117.0 (used for 1992)
1992	120.9 (used for 1993)
1993	124.1 (used for 1994)
1994	126.0 (used for 1995)
1995	107.5 (used for 1996)*
1996	109.7 (used for 1997)
1997	112.35 (used for 1998)**

* Beginning in 1995, the GNP implicit price deflator was rebased relative to 1992. The 1990 GNP implicit price deflator used to compute the 1996 § 43 inflation adjustment factor is 93.6.

** Beginning in 1997, two digits follow the decimal point in the GNP implicit price deflator. The 1990 GNP price deflator used to compute the 1998 § 43 inflation adjustment factor is 93.63.

1998 Section 43 Inflation Adjustment
Notice 98-41

Section 43(b)(3)(B) of the Internal Revenue Code requires the Secretary to publish an inflation adjustment factor.

endar year as well as the previously published inflation adjustment factors and phase-out amounts for the 1991 through 1997 calendar years.

Notice 98-41 TABLE 2 INFLATION ADJUSTMENT FACTORS AND PHASE-OUT AMOUNTS		
<i>Calendar Year</i>	<i>Inflation Adjustment Factor</i>	<i>Phase-out Amount</i>
1991	1.0000	0
1992	1.0363	0
1993	1.0708	0
1994	1.0992	0
1995	1.1160	0
1996	1.1485	0
1997	1.1720	0
1998	1.1999	0

DRAFTING INFORMATION

The principal author of this notice is Brenda M. Stewart of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Ms. Stewart on (202) 622-3120 (not a toll-free call).

Table 2 contains the inflation adjustment factor and the phase-out amount for taxable years beginning in the 1998 cal-