

MEMORANDUM

State of Alaska
DEPARTMENT OF REVENUE
Tax Division
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DATE: April 10, 2015
TO: Ken Alper
Director, Tax Division
FROM: Jenny L. Rogers *JLR*
Audit Master, Tax Division
SUBJECT: 2008 Audit Assessments

The audits of the 2008 oil and gas production tax returns are complete. The assessments were issued prior to the expiration of the statute of limitations as provided for under AS 43.55.075. Seven producers were audited, resulting in additional assessments of \$264,380,199:

Additional Tax Assessed	\$151,845,849
Additional Conservation Surcharges Assessed (Refunded)	(301,402)
Additional Interest Assessed	<u>112,835,752</u>
Total 2008 Assessments	<u>\$264,380,199</u>

2008 was the first complete year of production tax filings under the statutes commonly referred to as ACES. One 2009 Oil and Gas Production Tax Return audit was completed and assessed in March 2015, as well. The tax, surcharges and interest assessed for that audit are not included in the totals above.

It is noteworthy that the audit staff worked diligently to complete the 2008 audits while also participating in the design, testing and implementation of the new Tax Revenue Management System (GenTax). Production tax went "live" in GenTax on January 19, 2015; the first monthly reports were filed by taxpayers through Revenue Online in February 2015; and the 2014 Oil and Gas Production Tax Returns were filed electronically through Revenue Online in March 2015.

We are already experiencing benefits of the new integrated system: taxpayers are able to view their account balances through Revenue Online; audit assessments and supporting documentation reside in the system; tax returns are submitted electronically and reports can be run from that data; accounting and collections functions are streamlined; taxpayer compliance is monitored by the system. One of our goals was to make this tax type as "paperless" as possible.

As you are aware, we are still in a conversion period – between the very manual legacy system which has incomplete data for 2009 through 2013 and GenTax which starts with 2014 data. The audits of the 2009 through 2013 non-standard Excel tax returns will be conducted in GenTax and the audit results will be posted in GenTax. It is exciting to be a part of the design and implementation of an integrated system and one that I think will be a powerful tool for the Department as we move forward.