

MEMORANDUM

State of Alaska
DEPARTMENT OF REVENUE
Tax Division
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DATE: April 2, 2016
TO: Ken Alper
Director, Tax Division
FROM: Jenny L. Rogers *JLR*
Audit Master, Tax Division
SUBJECT: 2009 Audit Assessments

The audits of the 2009 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 \$132,031,718.

Additional Tax Assessed	\$ 83,366,370
Additional Conservation Surcharges Assessed (Refunded)	(33)
Additional Interest Assessed	<u>48,665,381</u>
Total 2009 Assessments	<u>\$132,031,718</u>

2009 was the second 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. Six audits were completed in March 2016. The tax, surcharges and interest assessed for all seven audits are included in the totals above.

Last year at this time, the oil and gas production tax audit group (OGP) was celebrating the successful implementation of Gentax and the department had received the first oil and gas production tax returns electronically through Revenue Online. During 2015 taxpayers used the system to view account balances; submit monthly reports; submit production allocation offtake reports; file basic oil and gas sales contract information; and file appeals. On March 31, 2016 the Audit Notice and Demand for Payment letters were posted in the taxpayers' ROL accounts and were immediately available for viewing.

Throughout the design phase of the project OGP sought feedback from taxpayers for ways to make the system and the production tax return work for them, as well as the department. We held public workshops and invited taxpayers to view the system in test environments. I believe that our efforts paid off, resulting in a system that is user-friendly, efficient and works well for us *and* our taxpayers. Taxpayer feedback about the system in general has been positive.

Current monthly report and annual return data resides in Gentax and is reportable through the system. However, 2010 through 2013 are "converted" periods and the tax returns are in non-standard Excel format. For the converted years, auditors enter high level tax return information into Gentax, conduct the audits and post the results in the system. Entering the returns into Gentax adds time to the audit process, but is necessary so that audit results can be posted and are reportable. The 2010 and 2011 audits are underway and our goal is to have the audits complete in March 2017. The system is helping us do our work more efficiently so that we can concentrate our efforts on accomplishing our mission: collecting the correct tax.