**1. In the table below, please provide the <u>dollar amount</u> of tax return audit assessments. The assessments should be presented by tax year and should be categorized by account (columns C-F) and by payment type (columns G-J). The total assessments in columns F and J should equal. If additional categories that comprise the total (accounts or payment status) exist, please add them as extra columns.**

**Table 1**
**Tax Return Revenues and Audit Assessments for Tax Years 2006 through 2017**

| | Amount of Taxes Assessed by Account | | | | | | | | Amount of Taxes Assessed by Payment Status | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (A) Tax Year | (B) Tax Revenue Filed by All Taxpayers | (Added by DOR) Tax Revenue Audited | (Added by DOR) Additional Tax Assessed | (Added by DOR) Installment Interest Increase | (C) Tax Due | (D) Interest | (E) Penalty | (F) Total Equals to (J) [C+D+E] | (G) Paid under protest | (H) Paid final (after settlement or not appealed) | (I) Not yet resolved | (J) Total All Payment Status [G+H+I] |
| 2006 | $ 2,001,815,419 | $ 1,896,292,691 | $60,270,499 | $0 | $60,270,499 | $31,123,893 | $ - | $91,394,392 | $35,922,401 | $27,730,473 | $0 | $63,652,874 |
| 2007 | 3,476,535,942 | 3,476,535,942 | 200,329,234 | 0 | 200,329,234 | 187,161,624 | - | 387,490,858 | 75,391,076 | 167,376,312 | 9,153,545 | 251,920,933 |
| 2008 | 7,132,582,848 | 7,132,582,848 | 145,491,245 | 0 | 145,491,245 | 112,884,120 | - | 258,375,365 | - | 84,511,964 | 170,085,453 | 254,597,417 |
| 2009 | 2,034,600,383 | 2,020,134,580 | 78,478,727 | 3,838,197 | 82,316,924 | 48,259,887 | - | 130,576,811 | - | 38,549,642 | 44,572,555 | 83,122,197 |
| 2010 | 3,105,939,796 | 3,078,326,487 | 122,777,652 | 5,791,760 | 128,569,412 | 60,677,441 | - | 189,246,853 | - | 28,688,931 | 165,675,554 | 194,364,485 |
| 2011 | 6,115,571,666 | 6,114,627,023 | 165,013,470 | 6,195,130 | 171,208,600 | 72,677,102 | - | 243,885,702 | - | - | - | - |
| 2012 | 5,311,152,662 | 5,261,161,108 | - | - | - | - | - | - | - | - | - | - |
| 2013 | 3,419,300,268 | 3,388,137,380 | - | - | - | - | - | - | - | - | - | - |
| 2014 | 1,434,224,635 | - | - | - | - | - | - | - | - | - | - | - |
| 2015 | 230,674,669 | - | - | - | - | - | - | - | - | - | - | - |
| 2016 | 166,949,412 | - | - | - | - | - | - | - | - | - | - | - |
| 2017 | 257,333,324 | - | - | - | - | - | - | - | - | - | - | - |

**TABLE 1 NOTES**

| | |
|---|---|
| Column (A) | Tax Year is the year for which tax returns were filed (calendar year). |
| Column (B) | Total Oil and Gas Production Taxes as filed (reported) under AS 43.55.011 for each calendar year. The 2017 annual returns are due on March 31, 2018. The amount of tax for 2017 is an estimate based on installment payments remitted during 2017 as of February 1, 2018. This figure differs from reported revenue figures in the Revenue Sources Book, which looks at the fiscal year in which the revenue is received (cash basis) rather than the tax year for which the liability originated. |
| (Added by DOR) | "Tax Revenue Audited" is the amount of Production Taxes subject to audit for that calendar year. The amounts for 2012 and 2013 includes audits that have been opened as of February 1, 2018. |
| (Added by DOR) | "Additional Tax Assessed" is the amount of additional production taxes assessed under AS 43.55.011 for each year. The amounts for 2011 are preliminary as not all audits have been finalized. These audits are scheduled to be assessed prior to March 31, 2018. Audits for 2012 are scheduled for completion in summer 2018, and 2013 by the end of 2018. |
| (Added by DOR) | "Installment Interest Increase," sometimes referred to as “over / under interest,” is the amount of additional interest assessed under AS 43.55.020(g) for each year. For the purposes of AS 43.05, this interest is treated as an addition to tax after March 31 of the year in which the tax is due. These amounts were not consistently reported or captured until the implementation of the tax system with the 2014 annual return. The amount for 2011 is an estimate based on preliminary audit information. These audits are scheduled to be assessed prior to March 31, 2018. |
| Column (C) | This is the sum of "Additional Tax Assessed" and "Installment Interest Increase" |
| Column (D) | This is the amount of interest assessed under AS 43.05. |
| Column (E) | In any year there is not enough data to report under the provisions of AS 43.55.890. There have been taxpayers assessed penalties for failing to file returns. |
| Column (F) | The sum of tax, penalty and interest due. Although the LB&A and form intended for this column to equal Column J, it does not precisely do so. See note on Column J. |
| Column (I) | This is the amount of tax and interest not yet paid on appealed audits that are still pending. These amounts are still in dispute and may not be paid if the taxpayer prevails on appeal. |
| Column (J) | Column F and Column J do not agree for the following reasons:<br>a) Column F includes interest through the date of assessment or shortly thereafter, while column J includes interest through the date of payment or the current date if the appeal has not yet been resolved.<br>b) Column I and Column J includes additional tax and interest that was assessed during the appeal process. Column F does not include these amounts.<br>c) Column F includes tax and interest for audit issues that were subsequently dropped during the appeals process. Column J does not include tax and interest for issues that were dropped during the appeal process. |
| Years 2012-16 | 2012 through 2016 do not yet include enough audit data to report under 43.55.890. The 2017 annual returns are due on or before March 31, 2018. |

**2. In the table below, please provide the dollar amount of tax assessments contested at each level of appeal as of December 15, 2017 (columns B-E), and the portion of that amount paid or not paid by taxpayers (columns F-H). The amounts in the column F should match to the column G in the table 1.**

**Table 2 ***
**Tax Return Appeals for Tax Years 2006 through 2017**

| Contested Amounts At Each Appeal Level | | | | | | | Contested Amounts Paid | | |
|---|---|---|---|---|---|---|---|---|---|
| (A) Tax Year | (B) Tax Assessed | (C) Tax Appealed to Informal Conference | (D) Tax Upheld at Informal Conference | (E) Tax Currently Pending at Informal Conference | (F) Tax Appealed to OAH | (G) Tax Currently Pending at OAH | (H) Tax Paid | (I) Interest Paid | (J) Total Tax & Interest Paid |
| 2006 | $60,270,499 | $ 25,600,152 | $ 20,417,720 | $0 | $11,158,363 | $0 | $46,819,134 | $16,833,740 | $63,652,874 |
| 2007 | 200,329,234 | 174,204,717 | 52,186,445 | 0 | 38,491,888 | 38,491,888 | 129,010,990 | 113,756,398 | 242,767,388 |
| 2008 | 145,491,245 | 134,401,975 | 32,908,651 | 88,315,595 | 10,674,670 | 10,674,670 | 46,002,370 | 38,509,594 | 84,511,964 |
| 2009 | 82,316,924 | 78,484,917 | 10,891,636 | 43,367,794 | - | - | 10,891,636 | 6,908,364 | 17,800,000 |
| 2010 | 128,569,412 | 120,885,096 | - | 120,885,096 | - | - | 1,974,538 | 1,261,684 | 3,236,222 |
| 2011 | 171,208,600 | - | - | - | - | - | - | - | - |

**TABLE 2 NOTES**

Column (A) This is the year for which tax returns were filed (calendar year).

Column (B) This is the amount of additional production taxes assessed under AS 43.55.011 for each year. This amount includes installment interest assessed under AS 43.55.020(g) and agrees with the Column (C) in Table 1. There is not enough data to report information for audits of 2012 through 2016 under the provisions of AS 43.55.890. The 2017 annual oil and gas production tax returns are due March 31, 2018.

Column (C) This is the amount of additional production taxes assessed and appealed to the DOR Appeals Section.

Column (D) This is the amount of additional production taxes assessed, appealed and upheld by the DOR Appeals Section in the DOR informal conference process.

Column (E) This amount is the additional production taxes assessed, appealed by taxpayers, and currently being considered by the DOR Appeals Section in the DOR informal conference process.

Column (F) This is the amount of additional tax upheld by the DOR Appeals Section that taxpayers appealed to the next level: Office of Administrative Hearings (OAH).

Column (G) This is the amount of additional tax pending decisions by the Office of Administrative Hearings (OAH). As originally formatted, the table asked for contested amounts at the Alaska Supreme Court. There are no cases currently pending beyond the OAH.

Column (H) This is the amount of additional tax that was paid on appealed audit assessments during the appeals process.

Column (I) This is the amount of additional interest that was paid on appealed audit assessments during the appeals process.

Column (J) This is the total amount of additional tax and interest that was paid on appealed audit assessments during the appeals process.

* DOR reorganized this table to add slightly more information and to reflect the amounts upheld and/or pending at the various levels of appeal.

**3. In the table below, please provide the <u>number</u> of tax returns filed, audits completed, and assessments appealed at each level of appeal.**

| Table 3<br>Number of Tax Returns Audited and Appealed | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of Tax Returns Filed by Audit Status | | | | | | | | Number of Appeals by Level | | | |
| (A)<br>Tax Year | (Added by DOR)<br>Number of Tax Returns Filed | (Added by DOR)<br>Number of Producers Filing Returns | (Added by DOR)<br>Number of Producers Who Qualified for 024(c) credit | (B)<br>Tax Returns with Completed Audits | (C)<br>Tax Returns Not Yet Audited | (D)<br>Awaiting Assessment | (E)<br>Tax Returns Filed by Producers [B+C+D] | (F)<br>DOR Appeals Section | (G)<br>Office of Administrative Hearings | (H)<br>Alaska Courts | (I)<br>Total Number of Appeals [F+G+H] |
| 2006 | 14 | 14 | 11 | 8 | 6 | 0 | 14 | 4 | 2 | 0 | 6 |
| 2007 | 17 | 15 | 12 | 12 | 3 | 0 | 15 | 4 | 2 | 0 | 6 |
| 2008 | 17 | 17 | 14 | 7 | 10 | 0 | 17 | 4 | 1 | 0 | 5 |
| 2009 | 17 | 17 | 14 | 10 | 7 | 0 | 17 | 5 | 0 | 0 | 5 |
| 2010 | 55 | 19 | 16 | 8 | 11 | 0 | 19 | 4 | 0 | 0 | 4 |
| 2011 | 58 | 21 | 18 | 10 | 11 | 0 | 21 | 0 | 0 | 0 | 0 |
| 2012 | 60 | 24 | 21 | 0 | 15 | 9 | 24 | 0 | 0 | 0 | 0 |
| 2013 | 60 | 25 | 22 | 0 | 18 | 7 | 25 | 0 | 0 | 0 | 0 |
| 2014 | 63 | 22 | 19 | 0 | 17 | 5 | 22 | 0 | 0 | 0 | 0 |
| 2015 | 58 | 24 | 21 | 0 | 20 | 4 | 24 | 0 | 0 | 0 | 0 |
| 2016 | 58 | 40 | 37 | 0 | 36 | 4 | 40 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**TABLE 3 NOTES**

| | |
|---|---|
| Column (A) | Tax Year is the year for which tax returns were filed (calendar year) |
| (Added by DOR) | "Number of Tax Returns Filed" is the number of annual tax returns filed by taxpayers who produce oil & gas; pay tax on private landowner royalty (43.55.011(i)); and incur lease expenditures for credits under AS 43.55. Those who incurred lease expenditures for credit and were audited are in Tables 4 and 5. The "Number of Tax Returns Filed" also includes producers whose 43.55.011(e) tax was reduced to zero by application of the 43.55.024(c) (small producer) credit. |
| (Added by DOR) | "Number of Producers Filing Returns" is the number of returns filed by those who actually produced oil and gas. Note: the large increase in the number of producers from 2015 to 2016 is largely attributable to the commencement of production from Pt. Thomson. There are a substantial number of very small (<0.1%) working interest partners within the Pt. Thomson Unit. |
| (Added by DOR) | "Number of Producers Who Qualified for 024(c) Credit" is the number of producers who qualified for the "small producer" credit under AS 43.55.024(c). The credit reduced most taxpayers' production tax liability to zero. Some of these taxpayers were audited to confirm that conservation surcharges (43.55.201 and 300) and tax on private landowner royalty (AS 43.55.011(i)) were correctly filed and paid. |
| Column (B) | This is the number of tax return audits completed by calendar year. |
| Column (C) | This is the number of annual tax returns filed by producers that were not audited. Audits of explorers' returns are reflected in Tables 4 and 5. The return audits for 2012 through 2016 are not complete, so these figures are subject to change. It is possible that more returns will be audited than are in Column D, thereby reducing the number of "Tax Returns Not Audited." |
| Column (D) | This number for 2012 are audits that are currently open. Some of the 2013 audits are also open. The numbers of audits expected for 2014 through 2016 are estimates subject to change. |
| Column (E) | Changed the title of this column to reflect that it's the sum of annual production tax returns filed by producers. Non-producing taxpayers' ("Explorers") returns are reflected in Tables 4 and 5. |
| Column (F) | This is the number of cases at the DOR Informal Conference level ("Appeals"). |
| Column (G) | This is the number of cases before the Office of Administrative Hearings. |
| Column (H) | Currently there are no cases before the Superior or Supreme Courts. |
| 2017 | Annual oil and gas production tax returns are due March 31, 2018. |

**4. In the table below, please provide the dollar amount and number of 023 and 025 credit audit assessments for tax years 2006 – 2013 (PPT/ACES) and 2014 – 2017 (SB21).**

| Table 4<br>023 and 025 credit audit assessments for tax years 2006 – 2013 (PPT/ACES) and 2014 – 2017 (SB21) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount of Credit Assessments | | | | Number of Credit Assessments | | | | |
| (A)<br>Tax Years | (B)<br>Tax Credit Disallowed | (C)<br>Interest | (D)<br>Total<br>[B+C] | (E)<br>Amount of Total Credit Allowed in Appeal | (F)<br>Credit Audits Completed | (G)<br>Credit Audits Still to Be Completed and Issued | (H)<br>Credits Not Audited | (I)<br>Total Credits Filed<br>[F+G+H] | (J)<br>Number of Credit Audits Appealed |
| 2006 | $11,713,939 | * | $11,713,939 | $0 | 8 | 0 | - | 8 | * |
| 2007 | 28,993,346 | * | 28,993,346 | 4,889,934 | 18 | 0 | - | 18 | 6 |
| 2008 | 25,388,367 | * | 25,388,367 | 632,198 | 23 | 0 | - | 23 | 3 |
| 2009 | 45,023,915 | * | 45,023,915 | 5,891,454 | 15 | 0 | - | 15 | 7 |
| 2010 | 2,880,337 | * | 2,880,337 | 8,406 | 7 | 0 | - | 7 | * |
| 2011 | 9,773,044 | * | 9,773,044 | (383,084) | 10 | 0 | - | 10 | * |
| 2012 | 52,724,565 | * | 52,724,565 | 2,728,906 | 14 | 4 | - | 18 | 3 |
| 2013 | 7,766,777 | * | 7,766,777 | 862,673 | 14 | 4 | - | 18 | * |
| 2014 | 3,192,672 | * | 3,192,672 | 336,314 | 14 | 5 | - | 19 | * |
| 2015 | 8,057,553 | * | 8,057,553 | - | 15 | * | - | * | 0 |
| 2016 | 35,466,110 | * | 35,466,110 | - | 12 | 5 | - | 17 | 0 |
| 2017 | - | * | - | - | - | - | - | - | - |

**TABLE 4 NOTES**

Column (A) Tax Year for AS 43.55.025 credits include projects that span multiple years, so for credits issued pre-2015 only one year was selected to report (the data was not split between the multiple years). For credits issued after 2014, the specific year that the credit was based on is reported in column B, but the audit is reported under 1 year for column F. A project from 2015-2016 will have amounts in both 2015 and 2016 for column B, but the "count" of audits completed in column F will only show the audit one year. There are too few companies to report audit data for 2017 (per AS 43.55.890) and 2017 returns and AS 43.55.023 credit requests have not yet been received.

Column (B) This column is the amount that was adjusted in the AS 43.55.025 audits prior to issuance, plus the amount that was assessed (total credit issued less the total credit allowed based on an audit) after an AS 43.55.023 audit was performed. Does not include amounts disallowed during initial review of AS 43.55.023 credits prior to issuance. Reported 2016 data includes AS 43.55.025 audits that are complete, but waiting on DNR confirmation; these taxpayers are holding “conditional certificates.”

Column (C) Interest is not assessed when issuing the AS 43.55.025 credits unless the credits have already been applied against tax liability and there are too few companies in that situation to report (per AS 43.55.890). Also, interest is not assessed when issuing audits that reduce credit certificates under AS 43.55.023 if the taxpayer has other outstanding (unpaid) certificates that may be reduced to satisfy the liability pursuant to AS 43.55.023(g).

Column (E) The name of this column was changed to reflect that appeal adjustments generally result in additional credits allowed and issued to the taxpayer.

Column (F) In the 2016 period the amount includes AS 43.55.025 audits that are complete, but waiting on DNR confirmation. In the 2011 period, it includes audits that are complete and will be issued by March 31, 2018.

Column (G) This is pulling the AS 43.55.025 audits that are not complete, AS 43.55.023 audits that have been opened and not complete, and AS 43.55.023 audits that are planned.

Column (H) This field is not tracked by OGP. All AS 43.55.025 credits are audited prior to tax credit certificates being issued. AS 43.55.023 credits are basically audited and adjusted during the due diligence review and audits after the fact are only performed on credit certificates that are flagged during the due diligence review.

Column (I) This does not include the number of AS 43.55.023 credits that were received each year. Please see table 5 for that information.

Column (J) The name of this column was changed to reflect the number of audits appealed.

*There are too few companies to report data for the sections indicated (per AS 43.55.890).

5. **In the table below, please provide the dollar amount and number of 023 credit review assessments for tax years 2006 – 2013 (PPT/ACES) and 2014 – 2017 (SB21). Note that *reviews* are being distinguished from *audits* which are summarized in Table 4. Reviews that must be completed within 120 days may also result in assessments. A portion of these credits may later be audited.**

**Table 5**
**023 Credit Review Assessments for Tax Years 2006-2013 and 2014-2017**

| Amount of Credit Assessments | | | | Number of Credit Assessments | | | | |
|---|---|---|---|---|---|---|---|---|
| (A) Tax years | (Added by DOR) Tax Credit Requests | (B) Tax Credit Disallowed | (C) Amount of Additional Credit Allowed in Appeal | (F) Credit Reviews Completed | (G) Credit Reviews Still to Be Completed and Issued | (H) Credits Not Reviewed | (I) Total Credits Filed [F+G+H] | (J) Number of Credit Reviews Appealed |
| 2006 | $85,490,257 | $ 7,520,378 | $6,266,855 | 14 | 0 | 0 | 14 | 3 |
| 2007 | 299,412,427 | 29,665,978 | * | 59 | 0 | 0 | 59 | * |
| 2008 | 334,494,453 | 45,725,797 | 4,211,742 | 67 | 0 | 0 | 67 | 7 |
| 2009 | 268,078,710 | 15,039,467 | 9,248,828 | 74 | 0 | 0 | 74 | 10 |
| 2010 | 444,535,610 | 6,609,401 | 1,362,869 | 73 | 0 | 0 | 73 | 5 |
| 2011 | 393,576,565 | 28,217,239 | 5,058,680 | 65 | 0 | 0 | 65 | 7 |
| 2012 | 610,144,269 | 111,099,520 | 9,880,179 | 81 | 0 | 0 | 81 | 8 |
| 2013 | 724,710,171 | 148,446,444 | 5,906,854 | 89 | 0 | 0 | 89 | 4 |
| 2014 | 623,979,795 | 29,262,225 | 6,852,859 | 109 | 0 | 0 | 109 | 7 |
| 2015 | 568,746,758 | 70,391,549 | 7,131,776 | 82 | 0 | 0 | 82 | 6 |
| 2016 | 209,333,160 | 29,743,889 | - | 50 | * | 0 | * | 3 |
| 2017 | - | - | - | - | - | - | - | - |

**TABLE 5 NOTES**

Column (A) Prior to 2015, applications received for credits under AS 43.55.023(a) were allowed to be requested for multiple years in a single application and for purposes of this report DOR assigned a tax year based on the year with the largest amount of incurred costs. For credit applications received in 2015 and after (when the Tax System was implemented), all credit applications are allocated to the year that the credit is earned.

*Credit applications for 2017 have not been received (or there are too few to report under AS 43.55.890). Generally, credit applications are submitted when the Oil and Gas Production Tax annual return is due around March 31.

(Added by DOR) These are the amounts requested for the applicable tax year (based on when the expenditures were incurred). This amount does not include credits that were withdrawn by the taxpayer, amounts issued as a result of a transfer, or amounts issued as the result of an appeal. It does include amounts that were denied in full by the audit staff.

Column (B) The amount of credit requested by the taxpayer less what was issued as a certificate from DOR.

Column (C) Changed the title of this column to reflect the additional amount of credit issued from an appeal.

Column (F) This is the number of applications received and reviewed by DOR by year. Some companies submit more than one credit application for a single calendar year, therefore more than one review is performed.

Column (G) 2016 and 2017 do not include enough data to report under AS 43.55.890. Most 2017 application will be received around March 31, 2018 when the annual tax returns are due.

Column (H) All AS 43.55.023 credit applications are reviewed before issuing a certificate.

Column (J) Changed name to reflect the number of credit reviews that were appealed.

* There are too few to report under AS 43.55.890