



Alaska Department of Revenue Tax Division



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Oil and Gas Tax Credit Audits

- Production Tax Credits
- Exploration Credits
- Tax Credit Audits

OGP Tax Credit Programs – 023 Credits

AS 43.55.023 Production Credits

1. Qualified Capital Expenditure Credit

- North Slope Credits Expired 12/31/2013
- Cook Inlet Credits Expired 12/31/2017
- No Expiration for Middle Earth
- 20% Credit before 1/1/2017; 10% On and After 1/1/2017

2. Carried Forward Annual Loss Credit

- Expired 12/31/2017
- Cash Repurchases for this Credit Expired 6/30/2017
- Ranged from 15% to 45% from 4/1/2006 to 12/31/2017

3. Well Lease Expenditure Credit

- Cook Inlet Credits Expired 12/31/2017
- No Expiration for Middle Earth
- 40% Credit before 1/1/2017; 20% On and After 1/1/2017

OGP Tax Credit Programs – 023 Credit Audits

- Taxpayer files application for 023 tax credit certificate.
- DOR has 120 days from when the application is filed to issue the certificate.
- Due Diligence Review is performed during the 120 day period.
- Large tax certificate requests or those flagged in the review are later audited.
- 023 Credit Audits assess the difference between the total amount of credit certificates originally issued and the amount we should have issued after audit.
- Credit Audit adjustments may be paid to the State in cash or be used to reduce another outstanding tax credit certificate.
- Same appeal rights as tax returns (i.e. informal and formal).

OGP Tax Credit Programs – 023 Credit Audits

2006-2014 Audits of AS 43.55.023 Credits

Amount	Count	
66,967,964	39	Credits Disallowed in Audit (already cashed out under 028 fund)
5,057,092	12	Credits Allowed in Appeal (including settlements)
61,910,871	12	Credits Paid Back (paid or reduced outstanding certificates)
	5	Credit Audits Still Open
	3	Credit Appeals Still Open

- For all of the audits performed through tax year 2014, the certificates have already been cashed out.
- A thorough due diligence review has been completed on all 2015 – 2017 credit applications.

OGP Tax Credit Programs – 025 Credits

AS 43.55.025 Exploration Credits

1. Alternative Exploration Credit

- North Slope and Cook Inlet Credits Expired 6/30/2016
- Middle Earth Seismic Expired 1/1/2018
- Middle Earth Expires 12/31/2021
- Ranged from 20% to 40% from 7/1/2008 to 12/31/2021

2. Alternative Exploration Credit – Jack-up Rig

- Specific to Cook Inlet
- Expired 6/30/2016
- Range of 80%-100% up to maximum of \$20 to \$25 million

3. Alternative Exploration Credit – Frontier Basins

- Expired 12/31/2016 for Seismic; Expired 6/30/2017 for Spudded Wells
- 75% up to \$7.5 million for Seismic
- 80% up to \$25 million for Wells

OGP Tax Credit Programs – 025 Credit Audits

- Taxpayer files application within six months after the exploration project has been performed.
- If a company has a tax liability, they can apply the credit against tax liability before they receive a certificate.
- If a company does not have a tax liability, they cannot use (cash out under 028 or transfer) the credit until a certificate has been issued.
- Conditional certificates are issued when requested by taxpayer.
- DOR performs a complete audit before issuing the 025 certificate.
- After the audit and 025 certificate is issued, can be cashed and/or transferred according to statutes and requirements.
- Same appeal rights as tax returns (i.e. informal and formal).