



# Severance Tax Services

## State and Local Tax



Some of the largest taxes borne by the upstream industry are crude oil and natural gas production taxes, also known as severance taxes. Understanding the complexity of these taxes in order to increase the benefit of state incentives and deductions is vital to capitalizing on the value of upstream assets. Our KPMG LLP (KPMG) Severance Tax Services practice has deep multistate experience with driving value-add projects in oil and gas producing states. Our career severance tax professionals specialize in assisting clients reach their tax management goals through marketing cost studies, incentive qualification studies, marketing cost and incentive refunds, equipment valuations, and automated compliance solutions.



### Our approach:

Oil and gas operators often operate in multiple state jurisdictions, each with their own approach to taxing oil and gas production. The complexity of oil and gas operations and corresponding state tax statutory regimes often leads to overpayment of tax by operators and first purchasers. Our approach is to work as an extension of our client's internal team, and provide visibility and knowledge-sharing so that our clients establish effective policies and procedures going forward.

KPMG takes a data-driven approach to working with our client's internal teams by identifying areas where research and operational review may lead to value-added opportunities for tax. Our internally developed data and analytics tools provide deep analysis of an operator's production and tax history, providing valuable insights and benchmarking against similarly situated operators.

KPMG severance tax professionals have extensive knowledge of oil and gas production tax laws and procedures. We maintain professional relationships with various state agencies responsible for administering oil and gas tax incentives, as well as the state tax administration agencies, closely following policies and current developments that may impact our client's positions.

The upstream industry is a dynamic M&A environment. Many states require a valuation of purchased assets for inclusion in a marketing cost deduction, creating hurdles for operators. Our practice at KPMG includes a dedicated team of tangible asset valuation professionals experienced in performing valuations for the upstream industry. These professionals are highly specialized and many hold advanced degrees and relevant appraisal certifications.



### When to seek severance tax services:

- Are low commodity prices causing an internal focus on cash expenditures?
- Have you recently acquired or disposed of upstream or midstream assets?
- Are you undergoing a state production tax audit?
- Has it been several years since you last reviewed marketing cost deductions?
- Have you recently entered new jurisdictions?
- Are you unsure of the deductions taken by your first purchasers?
- Has there been turnover or reduction in your internal severance tax team?



### Our severance tax consulting services include:

- Compliance process review and automation
- Full compliance outsourcing
- Marketing cost studies
- Incentive identification and applications
- ROI and depreciation studies
- Overhead and labor studies
- Asset valuations
- Utah Workover Credit AUP
- Oil to gas well reclassification

## Contact us

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