



Severance Tax



“Ryan has been a tremendous business partner for many years through assisting Energen Resources in addressing complex multistate severance tax issues and in reducing our tax burden.”

Wm. Douglas Marshall  
*Director – Corporate Taxation*  
**ENERGEN CORPORATION**

## Severance Tax Management from the Wellhead Through the Return

Ryan's Severance Tax professionals provide a unique, full-service approach to severance tax management, leveraging years of experience and industry knowledge. Minimizing severance taxes and managing the associated compliance requires creativity, technical expertise, and critical knowledge of both state regulatory and taxing authority procedures. Ryan professionals leverage these skills to manage all phases of severance tax compliance to significantly reduce our client's tax liability.

We work closely with clients to identify all available and applicable opportunities to maximize their overall return on investment. We thoroughly understand our clients' goals and objectives and work diligently on their behalf to uncover every eligible benefit. We manage the complex and often burdensome administrative compliance process, ensuring full realization of severance tax savings. Central to our methodology is the exact pinpointing of every opportunity—right down to the lease, the parties on the lease, and the time period affected. As a result, nothing is left unexplored.

## Minimize Your Severance Tax Liability

Whether it is finding previously untapped severance tax incentives, recalculating available deductions, or reviewing existing compliance efforts, our team is experienced at finding and maximizing every potential benefit. Our service solution begins in the field—where the real knowledge of the client's operations is obtained—and ends when the correct data reflecting the minimum tax due appears on the tax return.

We thoroughly analyze all operated and non-operated properties to determine if correct reporting has been achieved. When opportunities are discovered, we provide preliminary schedules outlining the properties targeted as well as the projected benefit to the client before any work is done. If approved, we carefully develop and deploy the appropriate plan to recover any retroactive tax credits as well as take steps to ensure that correct reporting occurs prospectively.

Our extensive experience with analyzing production data allows us to quickly identify properties where economic benefit may be available for recovery. While our focus is on historic record, we understand that our efforts yield significant prospective benefit to our clients. For this reason, no stone is left unturned.



# Ryan Severance Tax Services



Our commitment to best-in-class service is at the heart of our methodology and approach. Our goal is to achieve outstanding client satisfaction. To meet this goal, we offer a comprehensive array of severance tax services, including:

## ***Incentive Identification and Certification Services***

Ryan professionals leverage deep industry experience with a tried and proven approach to quickly and accurately identify all available incentive opportunities for our clients. We bring years of experience in navigating the complex environment of state regulatory and taxing authority certification requirements. These skills have resulted in a proven track record of success in obtaining incentive approval as rapidly as possible. Our services don't stop once certification is obtained. We'll recover all allowable tax credits and also make sure that the approved incentives are positioned to be correctly reported on future tax returns.

In order to be totally in sync with the client, prior to getting started, Ryan will accept a property exclusionary list that outlines the properties being addressed by the client. This ensures no duplication of effort. Throughout the entire process, we keep our clients informed of all activities, from providing preliminary schedules outlining incentive details when we begin to track the economic benefit recovered.

## ***Drilling Schedule Reviews***

Our clients are in the business of exploring for and producing oil and gas. That's their core business activity. Our core business activity is severance tax. While most company engineers know about severance tax incentives, many would agree that a second set of eyes can produce added benefit. One way that Ryan can help assure a company that all incentives are captured timely is to bolt on to their drilling schedule. The idea is to identify the properties that could qualify for an incentive before production actually begins, so no economic benefit is lost as a result of the decline curve kicking in while the certification process is being addressed.

## ***Severance Tax Services***

- Incentive identification and certification services
- Drilling schedule reviews
- Compliance data scrubs
- Marketing cost deduction recalculation services
- Severance tax process initiatives
- Tax reimbursement contract reviews
- General compliance/adjustment notice consulting services
- Severance tax and royalty audit defense services
- General severance tax advocacy services
- Sales and use tax credit recovery services

## Compliance Data Scrubs

A great deal of detail is required to be reported on the severance tax return. Property data, production numbers, and valuation, as well as incentive information, are all required fields that must be reported. As a result, it's possible to get trapped in the maze of minutia, creating either false liabilities or missing legitimate credit opportunities. Ryan recognizes the importance of managing the tax return process and content and has developed proprietary tools that enable false liabilities to be cleared quickly and efficiently, while identifying credit opportunities prior to statute expiration. Using these tools, Ryan can provide our clients an immediate diagnostic evaluation as to the effectiveness of its compliance efforts.

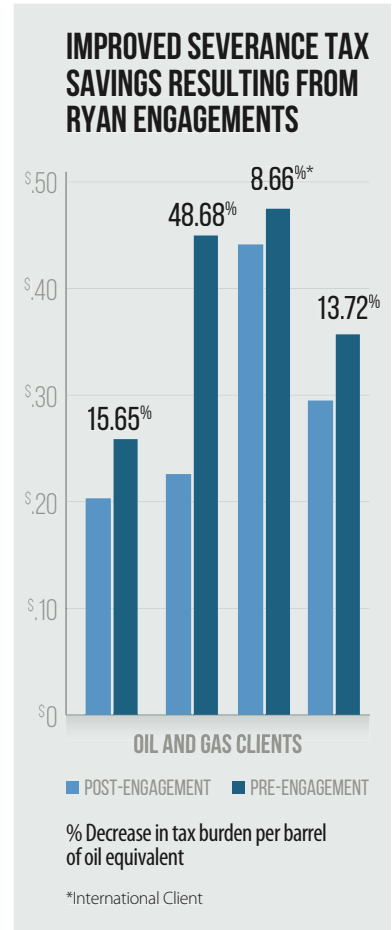
## Marketing Cost Deduction Restatement Services

State-granted marketing cost deduction programs are great opportunities for our clients to substantially improve their bottom line. While complex and burdensome to calculate, our tax professionals have extensive experience in vigorously pursuing these deductions.

Ryan has developed an innovative process that allows qualifying internal and external expenses to be identified quickly and efficiently. The work begins with a visit to the field, where the Ryan team obtains an actual visual of the production process. This hands-on approach ensures that nothing is missed. The knowledge obtained at the field is then directed to the accounting records, where the appropriate supporting documentation is obtained. Ryan then assembles the claim and seeks client approval prior to filing. All audit functions are handled by Ryan personnel. Upon audit approval, Ryan then partners with the client to put a process into place to prospectively capture qualifying expenses, ensuring that future economic benefits are obtained.

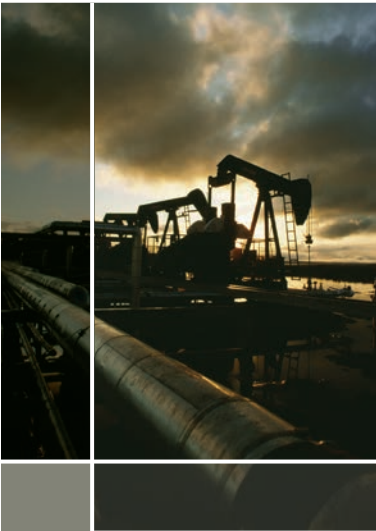
## Severance Tax Process Initiatives

Based on the results of our engagements, Ryan professionals employ a proven methodology to ensure that processes are in place to capture applicable severance tax incentives and deductions on a go-forward basis. This ensures that the full economic benefit will be realized well into the future. We begin by carefully analyzing the client's current severance tax processes related to incentives and deductions. Re-engineering activities follow, with the goal being to modify and improve those processes to ensure that no opportunities are missed in the future. Ryan understands that the level of success achieved by companies in the incentive and deduction arena is contingent upon the processes they deploy. At Ryan, focusing on processes is paramount to ongoing success.



The chart (above) illustrates four actual oil and gas industry clients that realized improved tax savings as a result of engaging Ryan, shown as a percentage of savings over their pre-engagement levels.





*We thoroughly analyze all relevant data in order to maximize your economic recovery.*

### ***Tax Reimbursement Contract Reviews***

In some cases, gas sales contracts may provide language allowing for a reduction in taxable value. This opportunity, while limited to specific jurisdictions, requires a keen focus on contract language, settlement documentation, and property ownership. For companies that are willing to delve into this level of detail, the rewards can be significant. At Ryan, reviewing gas sales contracts is an integral component of providing value-added services and a part of our full-service approach to severance tax management.

### ***General Compliance/Adjustment Notice Consulting Services***

As a result of the sheer magnitude associated with severance tax reporting, errors unfortunately are commonplace. Ryan professionals are experienced at both identifying and clearing compliance errors and are available to consult with clients on employing appropriate process improvements to help minimize reporting errors in the future.

### ***Severance Tax and Royalty Audit Defense Services***

When faced with an audit assessment, whether it's severance tax or additional royalties, Ryan is uniquely qualified to employ appropriate remedies that will result in the true additional amount due, helping our clients' successfully manage the audit process. We employ a strategy that combines vigorously challenging taxability while offsetting any remaining deficiencies with unclaimed tax credits. Our work product is thorough and well documented. Upon completion of the audit process, we'll also make sure that any required adjustments to our clients' existing tax and royalty policies have been made in order to ensure future compliance.

### ***General Severance Tax Advocacy Services***

Ryan professionals are available to represent the interests of our clients in many ways. From an incentive standpoint, we frequently represent our clients in dealings with state regulatory agencies on property certification matters. In addition to representing our clients on tax credit recovery and audit defense matters before taxing authorities, Ryan is also available to broker voluntary disclosure agreements. Finally, Ryan is available to represent clients acting in the capacity of working interest owner on non-operated properties in dealings with the operator.

## ***Sales and Use Tax Recovery Services***

As a full-service firm, Ryan has the ability to leverage from additional tax disciplines to maximize the overall rate of return for its clients. For example, Ryan can add tremendous value to the client by capitalizing on synergies between severance and sales and use tax recovery services. Both the severance tax marketing cost deduction and specific sales and use tax exemption opportunities utilize the same source documentation and review processes. Additionally, information gleaned from visiting the field can be instrumental in developing both opportunities. This leveraged approach maximizes our client's return while minimizing possible disruptions to normal day-to-day activities. Our deep industry knowledge is the key to success.

## **Why Ryan**

Ryan's Severance Tax practice is the largest of its kind in the industry today. Our talented team of professionals has experience in all facets of oil and gas taxation and includes former oil industry management and staff, governmental auditors, and certified public accountants. Our proven experience providing superior severance tax solutions that meet the needs of all companies—from producers to purchasers, and small entrepreneurs to the majors—is unmatched in the industry. We execute strategies that maximize every severance tax benefit available to our clients, from incentive identification to compliance, ensuring maximum economic recovery.



## About Ryan

Ryan, an award-winning global tax services and software provider, is the largest Firm in the world dedicated exclusively to business taxes. With global headquarters in Dallas, Texas, the Firm provides an integrated suite of federal, state, local, and international tax services on a multi-jurisdictional basis, including tax recovery, consulting, advocacy, compliance, and technology services. Ryan is a five-time recipient of the International Service Excellence Award from the Customer Service Institute of America (CSIA) for its commitment to world-class client service. Empowered by the dynamic *myRyan* work environment, which is widely recognized as the most innovative in the tax services industry, Ryan's multi-disciplinary team of more than 2,100 professionals and associates serves over 14,000 clients in more than 45 countries, including many of the world's most prominent Global 5000 companies. More information about Ryan can be found at [ryan.com](http://ryan.com).



### Award-Winning Tax Services

For additional information

1.855.RYAN.TAX

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