

Natural Resources

Non-traditional investors (both domestic and foreign) are increasingly engaging in oil and gas, liquified natural gas (LNG), geothermal, mining, timber, and other natural resource projects in the United States. These investors must navigate numerous unique rules in the tax law for natural resources and prepare for an enhanced IRS audit focus in this area to effectively manage their tax risk.

For new investors in natural resources, it is far more efficient to properly structure the investment and account for its costs on the first tax return than to try to fix problem areas in subsequent returns or during an IRS audit.

The United States became the largest oil producer in 2014.

Our Industry Knowledge

Part of the Tax Credit and Energy Advisory Services group, the Natural Resources group in KPMG LLP's Washington National Tax practice assists clients and KPMG professionals in understanding and complying with the specialized tax rules for natural resources. Our Natural Resources Tax professionals help companies evaluate tax planning opportunities, quantify the potential tax implications of project financing, identify and address tax uncertainties, obtain rulings from the IRS, and resolve IRS audits.

Common issues include:

- Exploration, development, equipment, and reclamation cost recovery
- Property determinations
- Natural resource income determinations
- Depletion computations (cost and percentage)
- Casualty losses and abandonments
- Production payments (structured as debt or equity)
- AMT and ACE adjustments
- Tax partnership and juridical partnership special allocations.

The Washington National Tax Natural Resources team also works closely with other specialty groups within Washington National Tax and KPMG's operating offices to address such issues as the tax credits; U.S. tax treatment of offshore earnings; customs and duties taxation; indirect taxation, including excise taxes, and withholding on royalty agreements; LNG investments; transfer pricing; and mergers and acquisitions consulting.

Our Services

- **Project Economics and Planning**—Advise and assist with evaluating the potential tax implications of alternatives for structuring and financing planned investments, identifying the various project costs, and determining their appropriate tax treatments.
- **Tax Returns and Refund Claims**—Advise and assist with special industry elections, definitions and computations, such as nonproductive well determinations, deductible exploration and development costs, depletable income, ordinary income recapture amounts, like-kind exchanges and cross-licensing of geological and geophysical information; as well as assistance with filing amended tax returns and claims for refund, and with correcting errors.
- **IRS Representation**— Assist in obtaining rulings from the IRS National Office on various technical issues, including “9100 relief” for late elections to expense or amortize intangible drilling and development costs, check-the-box and other elections; and in requesting a change in accounting method for missed “receding face doctrine” expenses; Natural Resource tax professionals also assist in responding to IRS proposed audit adjustments.

The Natural Resources group in Washington National Tax teams with KPMG professionals throughout the firm to help clients in such areas as:

- Negotiating and evaluating investment agreement terms, and analyzing the integration of such agreements with global taxation principles
- Adopting consistent methods of accounting for transactions, simplifying tax structures, protecting net operating losses, and centralizing key functions
- Developing tax-efficient global planning to address business needs and help manage the cost of doing business.

Our People

The Natural Resources group in Washington National Tax includes experienced tax professionals from both the private sector and the government, who have extensive hands-on experience in natural resources taxation. KPMG’s authoritative and oft-cited treatise, *Income Taxation of Natural Resources 2014*, is now available at www.pdi.org/taxbook.

Contact Us

For more information, please contact **Robert Swiech**, director, Natural Resources, at rswiech@kpmg.com or 713-319-3257.

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