Tax Assessments

The government is authorized and required to make inquiries, determinations, and assessments of all taxes that have not been duly paid. Unpaid assessments result from taxpayers filing returns without sufficient payment, as well as enforcement programs such as examination, under-reporter, substitute for return, and combined annual wage reporting. Under federal accounting standards, unpaid assessments are categorized as taxes receivable if taxpayers agree or a court has determined the assessments are owed. If neither of these conditions are met, the unpaid assessments are categorized as compliance assessments. Assessments with little or no future collection potential are called write-offs. Although compliance assessments and write-offs are not considered receivables under federal accounting standards, they represent legally enforceable claims of the government. There is, however, a significant difference in the collection potential between compliance assessments and receivables.

Compliance assessments are $94.9 billion and $94.6 billion for fiscal years ending 2025 and 2024, respectively. The amount of allowance for uncollectible amounts pertaining to compliance assessments cannot be reasonably estimated, and thus the net realizable value of the pre-assessment work-in-process cannot be determined. The amount of assessments that entities have statutory authority to collect at the end of the period but that have been written off and excluded from accounts receivable are $93.3 billion and $86.4 billion for fiscal years ending 2025 and 2024, respectively.

Federal Oil and Gas Resources

The DOI is responsible for managing the nation's oil and natural gas resources and the mineral revenues on federal lands, both onshore and on the Outer Continental Shelf. This management process can be broken down into six essential analysis components: pre-leasing; post-leasing and pre-production; production and post-production; revenue collection; fund disbursement; and compliance.

Federal Oil and Gas Resources as of September 30, 2025, and 2024

	Offshore		Onshore		Total	
(In billions of dollars)	2025	2024	2025	2024	2025	2024
Oil and lease condensate	29.8	35.0	27.7	30.8	57.5	65.8
Natural gas, wet after lease separation	1.7	1.8	16.1	13.0	17.8	14.8
Total	31.5	36.8	43.8	43.8	75.3	80.6

The above table presents the estimated PV of future federal royalty receipts on estimated proved reserves[17] as of September 30, 2025, and 2024. The federal government's estimated petroleum royalties have as their basis the DOE's Energy Information Administration (EIA) estimates of proved reserves. The EIA provides such estimates directly for federal offshore areas and they are adjusted to extract the federal subset of onshore proved reserves. The federal proved reserves were then further adjusted to correspond with the effective date of the actual production for calendar year 2023, the most recently published EIA proved reserves report and then are projected, separately for oil and natural gas, over time to simulate a schedule of when the reserves would be produced. Future royalties are then calculated from these production streams by applying future price estimates by the OMB, production growth estimates from the EIA's 2023 Annual Energy Outlook, and effective royalty rates. The valuation method used for gas captures royalties from three products–dry gas, wet gas, and natural gas liquids–which collectively are reported as natural gas, wet after lease separation. The PV of these royalties are then

[17] Per the EIA, lease condensate is a mixture consisting primarily of pentanes and heavier hydrocarbons which is recovered as a liquid from natural gas in lease separation facilities. This category excludes natural gas plant liquids, such as butane and propane, which are recovered at downstream natural gas processing plants or facilities. Also, per the EIA, natural gas, wet after lease separation, is the volume of natural gas remaining after removal of lease condensate in lease and/or field separation facilities, if any, and after exclusion of nonhydrocarbon gases where they occur in sufficient quantity to render the gas unmarketable. Natural gas liquids may be recovered from volume of natural gas, wet after lease separation, and at natural gas processing plants (https://www.eia.gov/dnav/ng/TblDefs/ng_prod_deep_tbldef2.asp).

determined by discounting the revenue stream back to the effective date at a public discount rate assumed to be equal to the OMB's estimates of future 30-year Treasury bill rates for offshore, and a weighted average of the U.S. Treasury yield curve from trading dates for the most recently completed fiscal year for onshore. The 30-year rate was chosen because this maturity life more closely approximates the productive lives of the proved reserves estimates.

Estimated Federal Oil and Gas Petroleum Royalties (Proved Reserves) as of September 30, 2025, and 2024

	Quantity (In millions)		Average Purchase Price ($)		Average Royalty Rate (%)	
Petroleum Category	2025	2024	2025	2024	2025	2024
Oil and lease condensate (Bbl):						
Offshore	4,547.8	4,712.4	72.72	79.52	14.40	13.36
Onshore	4,645.3	4,803.3	70.33	79.12	12.29	12.31
Total	9,193.1	9,515.7				
Natural gas, wet after lease separation (Mcf):						
Offshore	4,494.9	4,495.9	3.76	3.09	11.92	10.78
Onshore	57,944.8	47,462.0	1.27	3.05	10.38	10.23
Total	62,439.7	51,957.9				

Bbl = barrels
Mcf = 1,000 cubic feet

The table above provides the estimated quantity, a weighted average purchase price, and a weighted average royalty rate by category of estimated federal petroleum royalties at the end of FYs 2025 and 2024.[18] The estimated quantities, average purchase prices and royalty rates vary by region; the above table reflects an overall weighted average purchase price and royalty rate, and is not presented on a regional basis, but is instead calculated based on regional averages. The prices and royalty rates are based upon historical (or estimated) averages, excluding prior-period adjustments, if any, and are affected by such factors as accounting adjustments and transportation allowances, resulting in effective average prices and royalty rates. Prices are valued at the lease rather than at the market center and differ from those used to compute the asset estimated PV, which are forecasted and discounted based upon OMB economic assumptions. For additional details on federal oil and gas resources, refer to the financial statements of DOI. In addition to the oil and gas resources discussed above, the federal government also owns oil and gas resources that are not currently under lease.

[18] Gulf of America proved reserves are royalty-bearing volumes. In the Gulf of America, an additional 518.4 million Bbl for FY 2025 and 417.2 million Bbl for FY 2024 of proved oil reserves, and 324.3 million Mcf for FY 2025 and 312.8 million Mcf for FY 2024 of proved gas reserves are not reflected in these totals as they are estimated to be producible royalty-free under various royalty relief provisions. The NPV of the royalty value of the royalty-free proved reserves volumes in the Gulf of America is estimated to be $3.4 billion for FY 2025 and $3.3 billion for FY 2024.