

NOTICE OF
PROPOSED CHANGES ON OIL & GAS PRODUCTION TAX IN THE REGULATIONS
OF THE DEPARTMENT OF REVENUE

BRIEF DESCRIPTION: The Department of Revenue proposes to change regulations to make technical corrections to update the department's reference for the weighted average cost of capital (WACC) index used in determining return on investment (ROI) for oil and gas tankers, and the department's new edition of its publication on ROI updated to recognize the reduction in federal corporate tax rates resulting from the Tax Cuts and Jobs Act of 2017 (P.L. 115-97).

The Department of Revenue proposes to adopt regulation changes to 15 AAC 43.55 of the Alaska Administrative Code, dealing with the oil and gas production tax, including the following:

- (1) **15 AAC 55.195. Return on investment or cost of capital allowance to be used in calculation of costs of transportation for oil or gas, other than certain LNG or vessel transportation costs for oil or gas produced on or after January 1, 2003**, is proposed to be amended to update the reference for the weighted average cost of capital index from a hardbound text to a website location.
- (2) **15 AAC 55.196. Cost of capital allowance to be used in calculation of costs of vessel transportation for oil or gas produced on or after January 1, 2003, other than certain costs pertaining to vessels placed in service before January 1, 1995, and in calculation of transportation costs for gas by an LNG transportation facility placed in service after December 31, 2010**, is proposed to be amended to update the reference to the department's model for return on investment (ROI) to properly reflect new federal corporate tax rates resulting from the Tax Cuts and Jobs Act of 2017 (P.L. 115-97).

You may comment on the proposed regulation changes, including the costs to private persons of complying with the proposed changes, by submitting written comments to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501. Additionally, the Department of Revenue will accept comments by electronic mail to john.larsen@alaska.gov, or by facsimile at (907) 269-6644. **Written comments must be received no later than 4:00 p.m., on Monday, November 5, 2018.** If you would like to be added to the department's "Interested Parties" list server to receive email notification of any proposed action you may do so at the following link:
<http://tax.alaska.gov/programs/documentviewer/viewer.aspx?77n>

You may submit written questions relevant to the proposed action to: John Larsen at john.larsen@alaska.gov via email, or to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501. The questions must be received at least 10 days before the end of the public comment period. The Department of Revenue will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System and Tax Division website at (<http://www.tax.alaska.gov>).

Department of Revenue Notice of Proposed Regulations

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact John Larsen at john.larsen@alaska.gov or (907) 269-8436 no later than Monday, October 29, 2018 to ensure that any necessary accommodations can be provided.

A copy of the proposed regulation changes and *the 3rd Edition the Department's Computation of a Cost-of-Capital Allowance under 15 AAC 55.196, Incorporating Depreciation and Return on Invested Capital for Marine Vessels and Improvements* are available on the Alaska Online Public Notice System and the Tax Division website, and by contacting John Larsen at (907) 269-8436 or john.larsen@alaska.gov.

After the public comment period ends on Monday, November 5, 2018, the Department of Revenue will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different from that of the proposed regulations. **You should comment during the time allowed if your interests could be affected.** Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 43.05.080; AS 43.55.110.

Statutes Being Implemented, Interpreted, or Made Specific: AS 43.55.011; AS 43.55.020; AS 43.55.030; AS 43.55.040; and AS 43.55.150.

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

DATE: October 2, 2018
Anchorage, Alaska

/s/ Ken Alper
Ken Alper
Director, Tax Division
(907) 269-6620