

NOTICE OF PROPOSED CHANGES IN THE  
REGULATIONS OF THE DEPARTMENT OF REVENUE

The Department of Revenue, Tax Division, proposes to adopt regulation changes in Title 15, Chapter 55 of the Alaska Administrative Code, concerning the oil and gas production tax, including the following:

15 AAC 55.173 is proposed to be amended to change the method for determining the prevailing value of gas delivered in the Alaska North slope area and to change the requirements for filing with the department of documents relating to gas sales.

15 AAC 55.205, dealing with the calculation of production tax values, is proposed to be amended to limit the regulation's application to oil and gas produced before July 1, 2007.

A new section, 15 AAC 55.206, is proposed, dealing with the calculation of production tax values for oil and gas produced after June 30, 2007.

15 AAC 55.223, dealing with lease expenditures for Cook Inlet, is proposed to be amended to limit the regulation's application to expenditures incurred before July 1, 2007.

A new section, 15 AAC 55.224, is proposed, dealing with accounting for lease expenditures and with limitations on carried-forward annual losses relating to Cook Inlet oil and gas and other gas that is used in the state, if the lease expenditures are incurred after June 30, 2007.

15 AAC 55.290 is proposed to be amended to provide for determining whether a cost is incurred before July 1, 2007, or after June 30, 2007.

15 AAC 55.340, dealing with Cook Inlet tax credit provisions, is proposed to be amended to limit the regulation's application to oil and gas produced and expenditures incurred before July 1, 2007.

A new section, 15 AAC 55.341, is proposed, dealing with the allocation of and limitations on the use of tax credits related to Cook Inlet oil and gas and other gas that is used in the state, in the case of oil and gas produced and expenditures incurred after June 30, 2007.

15 AAC 55.800 is proposed to be amended to provide for retroactive application of certain of the proposed regulation changes referred to in this notice.

A new section, 15 AAC 55.805, is proposed, to provide rules to implement the mid-year (July 1, 2007) application of certain statutory changes enacted in ch. 1, SSSLA 2007, including changes in tax rates and other tax calculations; tax ceilings and minimum tax; tax credit rates; deduction of transportation costs; deduction of, allocation of, accounting for, and exclusion from lease expenditures; and limitations on the use of tax credits.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to:

John Larsen  
Alaska Department of Revenue, Tax Division  
550 W. 7th Ave. Ste. 500, Anchorage, AK 99501.

Or, via email at [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov), or by fax to: (907) 269-6644. Written comments must be received no later than 5:00 p.m. on May 23, 2008. Written comments received are public records and are subject to public inspection.

Oral or written comments also may be submitted at a hearing to be held on Friday, May 16, 2008, in the East Hearing Conference Room of the Regulatory Commission of Alaska, located at 701 West 8th Avenue, Suite 300, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 1:00 p.m. and might be extended to accommodate those present before 10:00 a.m. who did not have an opportunity to comment. If you are unable to attend the public hearing, you may participate by teleconference by dialing, 1-800-315-6338, and entering 1003# when prompted.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Tammany Waterman at (907) 269-6620 no later than May 14, 2008 for the public hearing, and, no later than May 22, 2008 for the written comment period, to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, contact the Tax Division at (907) 269-6620 or go to <http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?331>.

After the public comment period ends, the Department of Revenue will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. 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.**

**Statutory Authority:** AS 43.05.080; AS 43.55.011; AS 43.55.110; AS 43.55.160; AS 43.55.165; Sec. 37, ch. 2, TSSLA 2006; Sec. 72, ch. 1, SSSLA 2007; Sec. 73, ch. 1, SSSLA 2007.

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.030; AS 43.55.040; AS 43.55.150; AS 43.55.160; AS 43.55.165; Sec. 37, ch. 2, TSSLA 2006; Sec. 72, ch. 1, SSSLA 2007; Sec. 74, ch. 1, SSSLA 2007.

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

DATE: April 18, 2008

/s/ Jonathan Iversen  
Director, Tax Division  
Department of Revenue

ADDITIONAL REGULATIONS NOTICE INFORMATION  
(AS 44.62.190(d))

1. Adopting Agency: Department of Revenue
2. General subject of regulation: Alaska Oil and Gas Production Tax
3. Citation of regulations: 15 AAC 55.173, 15 AAC 55.205, 15 AAC 55.206, 15 AAC 55.223, 15 AAC 55.224, 15 AAC 55.290, 15 AAC 55.340, 15 AAC 341, 15 AAC 55.800, 15 AAC 55.805
4. Reason for the proposed action:
  - compliance with federal law
  - compliance with new or changed state statutes
  - compliance with court order
  - development of program standards
5. RDU/component affected: Tax Division, Revenue Operations
6. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY 2008	Subsequent Years
Operating Cost	\$ 0	\$ 0
Capital Cost	\$ 0	\$ 0
Federal receipts	\$ 0	\$ 0
General fund match	\$ 0	\$ 0
General fund	\$ 0	\$ 0
General fund/ program receipts	\$ 0	\$ 0
General fund/ mental health	\$ 0	\$ 0
Other funds (specify)	\$ 0	\$ 0

7. The name of the contact person for the regulations:
  - Name: John Larsen
  - Title: Oil & Gas Revenue Specialist
  - Address: 550 W. 7<sup>th</sup> Ave., Ste. 500, Anchorage, AK 99501
  - Telephone: (907) 269-8436
  - FAX: (907) 269-6644
  - E-mail: john.larsen@alaska.gov

8. The origin of the proposed action:
  - staff of state agency
  - federal government
  - general public
  - petition for regulation change
  - other (please list) \_\_\_\_\_

9. DATE: April 18, 2008

Prepared by: /s/Jonathan Iversen  
Director, Tax Division  
(907) 269-6620

The Department of Revenue, Tax Division, keeps a list of individuals and organizations interested in its regulations. Those on the list will automatically be sent a copy of all of the Tax Division's Notices of Proposed Regulation Changes. To be added to or removed from the list, send a request to:

O'Tammany Waterman  
Department of Revenue, Tax Division  
550 W. 7<sup>th</sup> Ave., Ste. 500  
Anchorage, AK 99501-3566

giving your name, and either your e-mail address or mailing address, as you prefer for receiving such notices.