

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 certain tax credit provisions of the oil and gas production tax statute, AS 43.55, including the following:

In light of statutory changes to AS 43.55.025 that took effect July 1, 2008, existing provisions of 15 AAC 55.350 and 15 AAC 55.355, implementing AS 43.55.025, are proposed to be amended to limit their application to exploration expenditures for work performed after June 30, 2003, and before July 1, 2008.

A new section, 15 AAC 55.351 is proposed to be adopted, dealing with claims for alternative tax credits for exploration work under AS 43.55.025 as amended effective July 1, 2008.

A new section, 15 AAC 55.356, is proposed to be adopted, dealing with application requirements and procedures for alternative tax credits for exploration work under AS 43.55.025 as amended effective July 1, 2008.

15 AAC 55.360 is proposed to be amended, dealing with types of costs that do or do not constitute qualified exploration expenditures for purposes of alternative tax credits for exploration work under AS 43.55.025, both as amended effective July 1, 2008, and as previously in effect.

15 AAC 55.370 is proposed to be amended, dealing with the application against a production tax liability of a production tax credit certificate issued under AS 43.55.025.

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 to: john.larsen@alaska.gov, or by fax to: (907) 269-6644. Written comments must be received no later than 5:00 p.m. on September 10, 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 Wednesday, September 3, 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 12:01 p.m. and may 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 Deborah Brooks at (907) 269-6620 no later than August 29, 2008 for

the public hearing, and, no later than September 8, 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/>.

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 43.55.110.

Statutes Being Implemented, Interpreted, or Made Specific: AS 43.55.025.

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

DATE: August 5, 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 55.350, 15 AAC 55.351, 15 AAC 55.355, 15 AAC 55.356, 15 AAC 55.360, and 15 AAC 55.370
4. Reason for the proposed action:
 - () compliance with federal law
 - (x) compliance with new or changed state statutes
 - () compliance with court order
 - (x) 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	\$ <u>0</u>	\$ <u>0</u>
Capital Cost	\$ <u>0</u>	\$ <u>0</u>
Federal receipts	\$ <u>0</u>	\$ <u>0</u>
General fund match	\$ <u>0</u>	\$ <u>0</u>
General fund	\$ <u>0</u>	\$ <u>0</u>
General fund/ program receipts	\$ <u>0</u>	\$ <u>0</u>
General fund/ mental health	\$ <u>0</u>	\$ <u>0</u>
Other funds (specify)	\$ <u>0</u>	\$ <u>0</u>

7. The name of the contact person for the regulations:
 - Name: John Larsen
 - Title: Oil & Gas Revenue Specialist
 - Address: 550 W. 7th 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: August 5, 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:

Deborah Brooks
Department of Revenue, Tax Division
550 W. 7th 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.