

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

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

15 AAC 55.245, dealing with lease expenditures under operating agreements, is proposed to be amended to limit application of the regulation to expenditures incurred before July 1, 2007.

A new section, 15 AAC 55.250, is proposed, adopting standards relating to lease expenditures, other than overhead.

A new section 15 AAC 55.260, is proposed, dealing with direct charges for purposes of the standards relating to lease expenditures under proposed 15 AAC 55.250(a) & (b).

15 AAC 55.270, dealing with overhead, is proposed to be amended to change the formula for calculating an overhead allowance and to limit application of the regulation to expenditures incurred before July 1, 2007.

A new section 15 AAC 55.271, is proposed, dealing with an overhead allowance after June 30, 2007.

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

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 4:30 p.m. on Wednesday, February 4, 2009. 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, January 21, 2009 at the Legislative Information Offices located at 716 W. 4th Avenue, Suite 550, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 11:00 a.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 the LIO's toll-free conference call number, 1-907-793-1229. Please note that this is a different phone number than for previous public workshops and hearings.

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 Friday, January 16 2009 for the public hearing, and, no later than Friday, January 30, 2009 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; AS 43.55.165: Sec. 37, ch. 2, TSSLA 2006; Sec. 72, ch. 1, SSSLA 2007.

Statutes Being Implemented, Interpreted, or Made Specific: AS 43.55.160; AS 43.55.165; AS 43.55.170; Sec. 37, ch. 2, TSSLA 2006; Sec. 72, ch. 1, SSSLA 2007.

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

DATE: December 24, 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 55.245; 15 AAC 55.250; 15 AAC 55.260; 15 AAC 55.270; 15 AAC 55.271; 15 AAC 55.800.
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 2009	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: Audit Master
 - 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: December 24, 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.

You may also add or unsubscribe yourself to the Department of Revenue (DOR) Tax Division Interested Parties List Server, by the following:

1. go to <http://list.state.ak.us/guest/RemoteAvailableLists>
2. click on "D" in the Mailing List Directory
3. Scroll down and click on DOR-Tax-Division-Regs@list.state.ak.us
4. A new window will open up – in the "Your E-mail address" box, type in the e-mail address you wish to receive the DOR Tax notices.
5. Click the button "Immediate Delivery" or "Unsubscribe". Immediate Delivery will add the e-mail address you entered into the list server immediately.
6. Click the "Submit" button.

The e-mail address you entered will immediately receive the DOR Tax Division "Welcome" notice explaining how the list serve works and also advises that you are now a member of the list serve. Please read this "Welcome" advisory – it contains important information regarding the list serve.

You may also unsubscribe, by following steps 1-6 above, except in step 5, please select the button "Unsubscribe". You will immediately receive an e-mail advisory stating that you will no longer receive e-mail notifications regarding the DOR Tax Division.

If you do not receive a welcome notice or unsubscribe notice, please contact Deborah Brooks at (907) 269-6620.