

SUPPLEMENTAL 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. Some of the proposed regulation changes that are the subject of this notice are the same or similar to proposed regulation changes that were previously the subject of a NOTICE OF PROPOSED CHANGES that was issued on August 5, 2008. Because of revisions and additions to certain of those proposed regulation changes, the Department of Revenue is providing another opportunity for public comment on these regulation changes. However, the Department of Revenue will continue to consider comments previously made in response to the August 5, 2008, notice, and interested persons need not resubmit previously submitted comments on proposed regulation changes that were the subject of the August 5, 2008 notice.

In addition to proposed regulation changes that were previously the subject of the August 5, 2008, notice, the Department is now proposing significant additional regulation changes on subjects beyond those described in the August 5, 2008, notice. The following summary includes both categories of proposed regulation changes.

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. A new subsection (f) has been added.

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 4:30 p.m. on Monday, July 13, 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 Tuesday, June 23, 2009 in suite 240 of the Atwood Building located at 550 W. 7th Ave., Anchorage, Alaska. The hearing will be held from 1:30 p.m. to 2:30 p.m. and may be extended to accommodate those present before 2:00 p.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 Lashondra Wilson-Tanner at (907) 269-6620 no later than June 17, 2009 for the public hearing, and, no later than July 8, 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.

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: June 9, 2009

/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 2010	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: June 9, 2009

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:

Lashondra Wilson-Tanner
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.