

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 use of operating agreements with regard to lease expenditures under former AS 43.55.165(c) or (d), is proposed to be amended to repeal subsections (a) – (c) and to add a subsection providing that the Department will not approve or require the use of operating agreements under former AS 43.55.165(c) or (d).

15 AAC 55.250, dealing with standards for lease expenditures other than overhead, is proposed to be amended to remove references to former AS 43.55.165(c) and (d).

15 AAC 55.260, dealing with direct charges for purposes of lease expenditures under AS 43.55.165, is proposed to be amended to address certain fees or other consideration paid in connection with a producer's management of a production facility.

15 AAC 55.270, dealing with overhead expenses, is proposed to be amended to repeal subsections (b) and (c) which relate to determining the allowance for overhead expenses under former AS 43.55.165(c) and (d).

15 AAC 55.280, dealing with adjustments to lease expenditures under AS 43.55.170, is proposed to be repealed and readopted to add new provisions relating to fees or other consideration received in connection with a person's use of a production facility in which a producer has an ownership interest or in connection with a producer's management of a production facility; fees or other consideration a producer pays or imputes to itself in connection with its use of a production facility in which the producer has an ownership interest or which the producer manages; the reimbursement of a producer's costs passed through to another person; and the treatment under AS 43.55.170(a)(3) of certain contributions of capital investment in a production facility or charges for use of capital invested in a production facility.

15 AAC 55.800, dealing with retroactive application of regulations, is proposed to be amended to include 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  
Audit Master  
Alaska Department of Revenue, Tax Division  
550 W. 7th Ave., Ste. 500  
Anchorage, AK 99501

Or, via email to: [john.larsen@alaska.gov](mailto: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, August 30, 2010. Written comments received are public records and are subject to public inspection.

Some of the proposed changes to 15 AAC 55.280 were previously the subject of a NOTICE OF PROPOSED CHANGES that was dated October 15, 2009 and published October 19, 2009. The Department of Revenue will continue to consider comments previously made in response to the October 15, 2009 notice, and interested persons need not resubmit previously submitted comments on proposed changes that were the subject of the October 15, 2009 notice.

For a copy of the proposed regulation changes, as well as a summary of the Department of Revenue's reasons for proposing the changes to 15 AAC 55.245, 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 43.55.023; AS 43.55.160, AS 43.55.165; AS 43.55.170.

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

DATE: July 23, 2010

/s/ John M. Larsen  
Audit Master  
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 55.280, 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 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. 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: July 23, 2010

Prepared by: /s/John M. Larsen  
Audit Master, 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:

Karen Fletcher  
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.

You may also join or leave the Department of Revenue (DOR) Tax Division Interested Parties List Server, by the following:

1. go to <http://list.state.ak.us/soalists/DOR-Tax-Division-Regs/jl.htm>
2. A new window "Join/Leave Request" will open – in the "Email Address" box, type in the e-mail address you wish to receive the DOR Tax notices.
3. In the menu box "Action" choose either "Join" or "Leave" and then click the "Submit Request" button.
4. You will receive a confirmation e-mail from Interested Parties List Server that requests your response. Once you receive the e-mail, please open it and click "reply". DO NOT click on the link in the e-mail containing your e-mail address or add anything to the e-mail before clicking "reply". If you do so, you will receive an e-mail back advising that your response e-mail was undeliverable and your e-mail address will not be added to the list server. Additionally, you ***must*** respond to this confirmation e-mail within 48 hours. If you do not respond, your e-mail address will not be added to the Interested Parties List Server and you will not receive notices from the department.

You may also unsubscribe, by following steps 1-4 above, except in step 3, select "Leave" in the Action menu box.