

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

BRIEF DESCRIPTION: The Department of Revenue proposes regulations to implement legislation enacted in 2013 affecting the oil and gas production tax. The regulations relate to the calculation of production tax values, gross value reductions and tax credits for qualified North Slope oil and gas, the treatment of lease expenditures for oil and gas subject to tax limitations, tax credits, specification of a single lease or property for production tax purposes, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax.

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:

- (1) **Chapter 55. Oil and Gas Properties Production Tax**, the chapter heading of Title 15, Chapter 55 is proposed to be changed to conform to the heading of Oil and Gas Production Tax and Oil Surcharge in Title 43, Chapter 55 of the Alaska Statutes.
- (2) **15 AAC 55.206, Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be amended, to conform to changes in state statutes and to make clarifying amendments and to account for statutory time limits related to tax ceilings and tax credits.
- (3) **15 AAC 55.211, Gross value reductions**, is proposed to be adopted to specify the criteria for the reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (4) **15 AAC 55.212, Procedures relating to gross value reductions**, is proposed to be adopted to specify determinations and procedures for reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (5) **15 AAC 55.213, Methodologies under AS 43.55.160(f)(3)**, is proposed to be adopted to implement AS 43.55.160(f)(3) related to demonstration of the volumes of oil and gas produced from acreage added to an existing participating area on or after January 1, 2014.

- (6) **15 AAC 55.215, Applicability of lease expenditures**, is proposed to be amended and new subsections added to account for statutory time limits for certain tax limitations, to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to make clarifying and conforming amendments.
- (7) **15 AAC 55.224, Lease expenditures incurred after June 30, 2007, for Cook Inlet and for gas used in the state**, is proposed to be amended to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to account for changes in AS 43.55.023(b) that affect the calculation of adjusted lease expenditures for purposes of the carried-forward loss credit under AS 43.55.023(b) after calendar year 2013.
- (8) **15 AAC 55.335, Additional nontransferable credits**, is proposed to be amended and new subsections added to provide for determination and application of tax credits under AS 43.55.024(i), a \$5 a barrel credit, and (j), a sliding scale credit, and to make conforming amendments.
- (9) **15 AAC 55.375, Order of applying tax credits**, is proposed to be amended to account for new credits under AS 43.55.024 and to make conforming amendments.
- (10) **15 AAC 55.381, Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended and new subsections added to account for new tax credits under AS 43.55.024 in the calculation of installment payments of estimated production tax on or after January 1, 2014 and to make conforming amendments.
- (11) **15 AAC 55.410, Tax on production tax value of oil and gas**, is proposed to be amended by adding a new subsection to reflect the recent statutory changes applicable to oil and gas produced after December 31, 2013.
- (12) **15 AAC 55.431, Monthly tax amounts under AS 43.55.011(e)(2) for oil and gas produced after June 30, 2007**, is proposed to be amended to account for changes to state statute related to calculation of the tax levied on oil and gas produced after December 31, 2013.
- (13) **15 AAC 55.511, Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended to account for recent statutory changes in the tax levied on oil and gas produced after December 31, 2013 and to make conforming amendments.

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- (14) **15 AAC 55.520, Monthly filings**, is proposed to be amended to account for filing provisions for the monthly installment payments of the estimated tax for oil and gas produced on or after January 1, 2014.
- (15) **15 AAC 55.815, Lease or property**, is proposed to be adopted to specify instances of what constitutes a single lease or property for the purposes of the oil and gas production tax statute and regulations.

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, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501.

Additionally, the Department of Revenue will accept comments by electronic mail to john.larsen@alaska.gov, or by facsimile at (907) 269-6644. **Written comments must be received no later than 4:30 p.m., on Monday, August 26, 2013.**

Oral or written comments also may be submitted at a hearing to be held Tuesday, August 13, 2013, in the East Hearing Room of the Regulatory Commission of Alaska located at 701 W. 8th Avenue, Suite 300, 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 toll-free conference call number, 1-800-315-6338. When asked for the participant PIN code, enter 1003#.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Bonnie Luther at (907) 269-6620 no later than Friday, August 9, 2013 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 the Division's Internet website at <http://www.tax.alaska.gov>.

After the public comment period ends on Monday, August 26, 2013, 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. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 43.05.080; AS 43.55.110; AS 43.55.160.

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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 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.900.

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

DATE: July 19, 2013
Anchorage, Alaska



Matthew R. Fonder
Director, Tax Division
(907) 269-6620