

PUBLIC NOTICE OF
PROPOSED CHANGES ON THE
OIL & GAS PRODUCTION TAX REGULATIONS
OF THE DEPARTMENT OF REVENUE

BRIEF DESCRIPTION: The Department of Revenue proposes to change existing regulations in the Oil and Gas Production Tax and Oil Surcharge, 15 AAC 55, regarding production tax value, the attribution of lease expenditures in determining production tax value of oil, the taxable value of gas, including gas used in the state, the removal of obsolete language, and conforming and clarifying changes related to the oil and gas production tax and definitions, including the following:

- (1) **15 AAC 55.206. Calculation of production tax values for oil and gas produced after June 30, 2007**, the section heading is proposed to be amended to conform to changes in the section and **subsection (a)** is proposed to be amended to provide that on and after January 1, 2022, with certain limited exceptions, lease expenditures to explore for, develop, or produce oil and gas deposits shall be attributable to the production tax value of oil;
- (2) **15 AAC 55.206(b). Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be amended to remove references to carried-forward annual losses under the former 43.55.023(b)(2) and add a reference to AS 43.55.160(e);
- (3) **15 AAC 55.206(c) Calculation of production tax values for oil and gas produced after June 30, 2007, paragraphs (1) and (2)** are proposed to be amended to limit the provisions of these paragraphs to oil and gas produced before January 1, 2022, and **two new paragraphs (3) and (4)** are proposed to be added to define segments after 2021;
- (4) **15 AAC 55.213(b)(1) and (e). Methodologies under AS 43.55.160(f)(3)**, are proposed to be amended to account for gas produced after 2021;
- (5) **15 AAC 55.215(a). Applicability of lease expenditures**, is proposed to be amended to provide that lease expenditures are attributable to oil or gas before 2022, and, for calendar years after 2021 will be attributable to oil;
- (6) **15 AAC 55.215(b). Applicability of lease expenditures**, is proposed to be amended to provide that lease expenditures incurred on or after January 1, 2022, shall be attributable to oil in an area of the state that is either north, or south, of 68 degrees North latitude;
- (7) **15 AAC 55.215(d) & (e). Applicability of lease expenditures**, are proposed to be amended to provide that a producer's lease expenditures will no longer be required to be allocated to gas used in the state on or after January 1, 2022;
- (8) **15 AAC 55.217(b). Carried-forward annual losses after December 31, 2017**, is proposed to be amended to make conforming references;
- (9) **15 AAC 55.217(c) & (d). Carried-forward annual losses after December 31, 2017**, are proposed to be amended to include examples of carried-forward annual losses both before 2022 and after 2021;
- (10) **15 AAC 55.217(f). Carried-forward annual losses after December 31, 2017**, is proposed to be amended to clarify the treatment of carried-forward annual losses from leases or properties after 2021 and two new subparagraphs are added;
- (11) **15 AAC 55.217(g). Carried-forward annual losses after December 31, 2017**, is proposed to be repealed and readopted to clarify the example used to illustrate subsection (f) and (p)(2);

(12) **15 AAC 55.217(q). Carried-forward annual losses after December 31, 2017**, a new subsection is proposed to be added to provide that lease expenditures for carried-forward annual losses incurred after 2021 shall be applicable to the production tax value of oil;

(13) **15 AAC 55.224(a). Lease expenditures incurred after June 30, 2007 for Cook Inlet, for gas used in the state, and for oil and gas subject to AS 43.55.011(p)**, is proposed to be amended to provide conforming references for the repeal of certain subsections of this section;

(14) **15 AAC 55.224(f). Lease expenditures incurred after June 30, 2007 for Cook Inlet, for gas used in the state, and for oil and gas subject to AS 43.55.011(p)**, is proposed to be amended to limit the application of this subsection to years before 2022;

(15) **15 AAC 55.224(g). Lease expenditures incurred after June 30, 2007 for Cook Inlet, for gas used in the state, and for oil and gas subject to AS 43.55.011(p)**, a new subsection is proposed to be added to determine the amount of a producer's adjusted lease expenditures that may be used to establish a carried-forward annual loss for leases or properties subject to AS 43.55.011(p);

(16) **15 AAC 55.275(c). Exclusions from lease expenditures**, a conforming amendment is proposed to recognize proposed new section 15 AAC 55.275(d);

(17) **15 AAC 55.275(d). Exclusions from lease expenditures**, a new subsection is proposed to be added to clarify that the provisions of AS 43.55.165(e)(18) remain in effect after 2021;

(18) **15 AAC 55.335(b). Additional nontransferable credits**, is proposed to be amended to remove references to transactions occurring in 2006;

(19) **15 AAC 55.335(c). Additional nontransferable credits**, is proposed to be amended to remove references to AS 43.55.011(f), as that subsection read on June 30, 2007;

(20) **15 AAC 55.381(a), (b), (c), (e), and (f). Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced after June 30, 2007**, are proposed to be amended to delete language referring to the monthly payment of estimated tax for period before January 1, 2014 and to add language regarding the payment of monthly estimated tax for calendar years after 2021;

(21) **15 AAC 55.410. Tax on production tax value of oil and gas**, the section heading is proposed to be changed to conform to the changes in the tax;

(22) **15 AAC 55.410(c). Tax on production tax value of oil and gas**, is proposed to be amended to recognize that beginning 2022, gas will be taxed based on the gross value at the point of production and that lease expenditures to explore for, develop, or produce oil and gas deposits will be attributable to the production tax value of oil;

(23) **15 AAC 55.421(a). Minimum tax for oil and gas produced after June 30, 2007**, is proposed to be amended to clarify the use of the minimum tax under AS 43.55.011(f) before 2022 and after 2021;

(24) **15 AAC 55.511. Installment payments of estimated tax for oil and gas produced after June 30, 2007**, the section heading is proposed to be changed so that the provisions of the section apply to calendar years before 2022;

(25) **15 AAC 55.511(c). Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended to delete the reference to AS 43.55.160(h);

(26) **15 AAC 55.511(g). Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended to clarify that the provisions of the section apply to oil and gas produced before 2022;

(27) **15 AAC 55.514. Installment payments of estimated tax for oil and gas produced on and after January 1, 2022**, a new section is proposed to be added to provide for the installment payments after 2021;

(28) **15 AAC 55.520(a). Monthly filings**, is proposed to be amended delete language referring to the monthly payment of estimated tax for periods before January 1, 2014, and to add language regarding the payment of monthly estimated tax for calendar years after 2021;

(29) **15 AAC 55.520(f). Monthly filings**, is proposed to be amended to repeal subparagraph (4)(H), referring to AS 43.55.165(j) and (k), which were repealed in 2016.

(30) **15 AAC 55.800. Retroactive application of regulations**, is proposed to be changed as follows: the proposed amendments address retroactivity periods for proposed and existing regulations;

(31) **Repeals 15 AAC 55.173(a)(1), Prevailing value for gas; 15 AAC 55.215(f), Applicability of lease expenditures; 15 AAC 55.224(b), (d), and (e), Lease expenditures incurred after June 30, 2007 for Cook Inlet, for gas used in the state, and for oil and gas subject to AS 43.55.011(p); 15 AAC 55.335(a), Additional nontransferable credits; 15 AAC 55.431, Monthly tax amounts under AS 43.55.011(e) for oil and gas produced after June 30, 2007 and before January 1, 2014; 15 AAC 55.520(f)(4)(H), Monthly filings; and 15 AAC 55.900(b)(23), Definitions**, are proposed to be repealed as they are obsolete.

The department anticipates that these proposed changes would take effect on January 1, 2022. This public notice includes proposed changes to 15 AAC 55.520 which were also the subject of a public notice and supplemental public notice dated December 25, 2020, and May 14, 2021, respectively. While the proposed changes of the December 25, 2020, public notice and May 14, 2021, supplemental public notice are not addressed in this package of proposed changes, the department intends to harmonize any changes in 15 AAC 55.520 in any final adopted regulations.

You may comment on the proposed regulation changes, including the 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 4:00 p.m., on Wednesday, October 27, 2021.** If you would like to be added to the department's "Interested Parties" list server to receive email notification of any proposed action you may do so at the following link: <http://tax.alaska.gov/programs/documentviewer/viewer.aspx?77n>

A public hearing will be held via Microsoft Teams, on **Thursday, October 14, 2021, beginning at 10:00 a.m.** The public hearing can be accessed at the following link:

Microsoft Teams meeting

Join on your computer or mobile app

[Click here to join the meeting](#)

Join with a video conferencing device

260748889@t.plcm.vc

Video Conference ID: 115 697 956 3

[Alternate VTC instructions](#)

Department of Revenue Notice of Proposed Regulations

Or call in (audio only)

+1 907-202-7104, 807645870# United States, Anchorage
Phone Conference ID: 807 645 870#

Those in attendance by 10:30 a.m. will be provided an opportunity to be heard.

You may submit written questions relevant to the proposed action to: John Larsen at john.larsen@alaska.gov via email, or to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501. The questions must be received at least 10 days before the end of the public comment period. The Department of Revenue will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System and Tax Division website at (<http://www.tax.alaska.gov>).

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact John Larsen at john.larsen@alaska.gov or (907) 269-8436 no later than Friday, October 8, 2021 to ensure that any necessary accommodations can be provided.

A copy of the proposed regulation changes is available on the Alaska Online Public Notice System, on the Tax Division' website at www.tax.alaska.gov, or by contacting John Larsen at john.larsen@alaska.gov or calling (907) 269-8436.

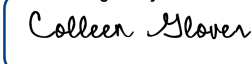
After the public comment period ends on Wednesday, October 27, 2021, the Department of Revenue will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different 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.

Statutes Being Implemented, Interpreted, or Made Specific: AS 43.55.011; AS 43.55.020; AS 43.55.030; AS 43.55.040; AS 43.55.110; AS 43.55.150; AS 43.55.160; and AS 43.55.165.

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

DATE: September 23, 2021
Anchorage, Alaska

DocuSigned by:

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Colleen M. Glover
Director, Tax Division
(907) 269-1033