

**State of Alaska**  
**Department of Revenue**  
**Notice of Public Scoping for Possible**  
**Updates and Revisions to DOR Regulations**  
**15 AAC 55; Oil and Gas Properties Production Tax**  
**15 AAC 56; Oil and Gas Exploration, Production and Pipeline Transportation**  
**Property Tax**

The Alaska Department of Revenue (DOR) is considering whether it should revise regulations regarding the Oil and Gas Production Tax and Oil Surcharge under 15 AAC 55 and the Oil and Gas Exploration, Production and Pipeline Transportation Property Tax under 15 AAC 56. As a first step, DOR would like to gather comments on the existing regulations from the public through this scoping process. In particular, the DOR would like to gather comments on certain publication references in 15 AAC 55 and in 15 AAC 56 on the duration of replacement value for a certified assessment roll, the determination of proven reserves, and recent statutory amendments.

The purpose of this notice is to ask the public for ideas and suggestions for possible changes to these regulations before the DOR drafts specific revisions to the regulations for public review. The DOR is not proposing any specific changes at this time. Any proposed regulatory revisions will subsequently be noticed, and made available for public review and comment under AS 44.62, the Administrative Procedures Act.

### **Background and Need for Regulations**

Existing regulations in 15 AAC 55 contain references to various publications such as *Dow Jones Energy Service*; Morningstar Inc., *the Cost of Capital Yearbook*; or the *Cost of Capital Yearbook*. Some of these publications are no longer available or the current reference is incorrect. The department intends to update these references.

In 2014, the Alaska legislature in Senate Bill 138 amended the municipal tax cap under AS 43.56.010 from a flat-rate percentage (225%) to “the percentage as determined in AS 29.45.080(f)[.]” Conforming changes are required to bring the regulation into compliance with the statute and to also recognize that a new subsection (f) was added to AS 29.45.080.

Existing regulations allow that replacement cost may be determined annually. In order to make the process more efficient and relieve administrative burden, the department intends to propose that replacement cost, once established as certified on the assessment roll and except for

application of an inflation adjustment, should not be revisited more often than once every five years. Additionally, the department will consider comments on removing or amending portions related to the determination of proven reserves.

Other minor changes, such as conforming changes to recognize new or former statutes may also be made.

## **Public Input**

The DOR is asking affected members of the public and the oil and gas industry for input regarding regulations for reasonable time frames for which valuation methodologies may be relied upon. The DOR is interested in ideas from industry and the public that will make the administration of property taxes more efficient while maintaining the protections necessary for the State and its citizens. The DOR is asking for suggestions regarding the development of regulations that protect the interests of the public without also requiring undo administrative burden on participants in the oil and gas industry.

Written comments, suggestions, questions, and other input must be received by the department no later than 4:30 p.m. on Wednesday, January 20, 2016. Written comments, suggestions, questions, and other input may also be submitted by mail to:

John Larsen  
Alaska Department of Revenue  
550 W. 7<sup>th</sup> Ave., Suite 500  
Anchorage, AK 99501-3555

Written comments, suggestions, questions, and other input may also be submitted by email to: [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov), or by FAX to: (907) 269-6644. For any questions regarding this scoping notice please contact John Larsen at (907) 269-8436.