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OFFICE OF THE LIEUTENANT GOVERNOR
ALASKA

MEMORANDUM

TO: John Larsen
Department of Revenue

FROM: Scott Meriwether, Office of the Lieutenant Governor
465.4081

DATE: January 30, 2017

RE: Filed Permanent Regulations: Tax Division

Department of Revenue Regulation re: Oil and Gas Production Tax (15 AAC 05; 15 AAC 55)

Attorney General File:	JU2016200654
Regulation Filed:	1/30/2017
Effective Date:	3/1/2017
Print:	221, April 2017

cc with enclosures: Linda Miller, Department of Law
Judy Herndon, LexisNexis

ORDER ADOPTING CHANGES TO
REGULATIONS OF THE DEPARTMENT OF REVENUE

The attached sixty-two pages of regulations, dealing with the administration of revenue laws and, the oil and gas production tax and oil surcharge, are adopted and certified to be a correct copy of the regulation changes that the Department of Revenue adopts under the authority of AS 40.25.100, AS 43.05.080, AS 43.05.225, AS 43.05.230, AS 43.05.280, AS 43.55.011, AS 43.55.019, AS 43.55.020, AS 43.55.023, AS 43.55.024, AS 43.55.025, AS 43.55.028, AS 43.55.030, AS 43.55.040, AS 43.55.110, AS 43.55.150, AS 43.55.160, AS 43.55.165, AS 43.55.170, AS 43.55.895, AS 43.55.900, Section 37, ch.2, TSSLA 2006; Section 72, ch. 1, SSSLA 2007; and Section 38, ch.4, 4SSLA 2016 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

In considering public comments, the Department of Revenue paid special attention to the cost to private persons of the regulatory action being taken.

The regulation changes adopted under this order take effect on the 30th day after they have been filed by the lieutenant governor as provided in AS 44.62.180.

DATE: 1.13.17
Anchorage, Alaska

Randall J. Hoffbeck
Commissioner,
Department of Revenue

FILING CERTIFICATION

I, Byron Mallott, Lieutenant Governor for the State of Alaska, certify that on January 30, 2017, at 805 A .m., I filed the attached regulations according to the provisions of AS 44.62.040 - 44.62.120.

Lieutenant Governor

Effective: March 1, 2017.

Register: 221, April 2017.

15 AAC 05.250(a) is amended to read:

(a) Department representatives will, in their discretion, disclose confidential information obtained from a taxpayer in an audit or investigation of another taxpayer under [AS 43.21 AND] AS 43.55, if the information is relevant to a sale, exchange, disposition, or netback valuation of oil or gas that relates to a period at least one year before the department's release of the information. The information will be disclosed only to the parties, counsel, experts, and consultants involved in the proceeding after notification to the taxpayer whose information is to be disclosed. The information will be disclosed only under an administrative protective order issued by an authorized representative of the department and only after the taxpayer whose information is to be disclosed has had an opportunity to appear and present objections to that representative.

(Eff. 9/1/84, Register 91; am 12/20/89, Register 112; am 3/1/2017, Register 221)

Authority: AS 40.25.100 AS 43.05.080 AS 43.05.230

15 AAC 05 is amended by adding a new section to read:

15 AAC 05.255. Disclosure of tax credit certificates purchased in 2016. For tax credit certificates issued under AS 43.55.023 or 43.55.025 purchased by the department ~~on and~~ after December 31, 2015 ~~January 1, 2016~~ and before January 1, 2017, the department shall make public by April 30, 2017 the information authorized under AS 43.05.230(l) italicize ~~name of each person from which the department purchased a tax credit certificate and the aggregate amount of the tax credit certificates purchased from that person~~. (Eff. 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.05.230

15 AAC 05.330(a) is amended to read:

(a) Except as otherwise provided in **(e) of this section,** AS 43.55.020(g) and (h) and 15 AAC 55.830, the quarterly interest rate applicable to a delinquent tax or overpayment of a tax under AS 43 on or after January 1, 2014 is the interest rate under AS 43.05.225(1)(B) as of the first day of each calendar quarter in a calendar year calculated on an annualized basis by

(1) adding three percentage points to the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of each calendar quarter;

(2) dividing the sum determined under (1) of this subsection by the total number of days in the calendar year; and

(3) multiplying the quotient determined under (2) of this subsection by the total number of days in the quarter in which there is a delinquent tax or overpayment of tax.

15 AAC 05.330(b) is amended to read:

(b) **Except as otherwise provided in (e)** [FOR PURPOSES] of this section, delinquent tax consists only of the balance of unpaid tax on or after December 31, 2013 and does not include any accrued and unpaid interest the taxpayer owes on that date.

15 AAC 05.330(d) is amended to read:

(d) **Except as otherwise provided in (e) of this section, on** [ON] or after January 1, 2014, any accrued and unpaid interest owed by or to a taxpayer as of December 31, 2013 does not accrue further interest.

15 AAC 05.330 is amended by adding a new subsection to read:

(e) For a delinquent tax under AS 43.55 before January 1, 2017, the interest rate in AS 43.05.225(1)(C)(i) applies for the first three years after January 1, 2017, notwithstanding any period the tax was delinquent before January 1, 2017. For purposes of this subsection a delinquent tax consists of the balance of unpaid tax on January 1, 2017, including any accrued and unpaid interest the taxpayer owes on that date. (Eff. 2/21/2014, Register 209; am 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.05.225 AS 43.05.280

15 AAC 05 is amended by adding a new section to Article 2 to read:

15 AAC 05.340. Retroactive application of regulations. The following provisions apply retroactively to January 1, 2017:

(1) 15 AAC 05.255;

(2) 15 AAC 05.330(e). (Eff. 3/1/2017, Register 221)

Authority: AS 43.05.080 Sec. 38, ch. 4

4SSLA 2016

The editor's note following 15 AAC 55.141 is changed to read:

Editor's note: Moody's Seasoned Baa Corporate Bond Yield - All Industries is published by Moody's Investor Services, Inc., 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, and republished with permission in United States Federal Reserve System, *Federal Reserve Statistical Release H.15, Selected Interest Rates. Federal Reserve Statistical Release H.15, Selected Interest Rates* is published by the Board of Governors of the Federal Reserve System, Publications Fulfillment, Mail Stop N-127, Washington, D.C. 20551, and is available on the Federal Reserve System website at**:** **https://fred.stlouisfed.org/** [HTTP://WWW.FEDERALRESERVE.GOV/ECONRESDATA/RELEASES/STATISTICSDATA.HTM]**.**

15 AAC 55.171(m) is amended to read:

(m) For purposes of this section, the average spot price for ANS at the United States West Coast during a month is the average of the monthly average assessments for the month **as reported** by ***Platt's*** [*PLATT'S OILGRAM PRICE REPORT*, DOW JONES ENERGY SERVICE,] and Reuters online data providing service, calculated to three decimal places using the automatic convention in the rounding command or function in commercially available software. If ***Platt's*** [*PLATT'S OILGRAM PRICE REPORT*, DOW JONES ENERGY SERVICE,] or Reuters online data providing service ceases to report daily assessments for ANS at the United

States West Coast, the average spot price for ANS at the United States West Coast is the average of the monthly average assessments by **the** [ALL] remaining **price** reporting **service** [SERVICES]. In this subsection, a monthly average assessment for a month is the average of the midpoints between a reporting service's high and low closing assessments for ANS at the United States West Coast for all days during the month for which closing assessments are reported. (Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 11/1/2000, Register 156; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am 4/30/2010, Register 194; am 6/4/2010, Register 194; am 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.55.020 AS 43.55.110

Editor's note: ***Platt's* prices are** [*PLATT'S OILGRAM PRICE REPORT* IS] published by Platts, a division of The McGraw-Hill Companies, Inc., Two Penn Plaza, 25th floor, New York, New York 10121-2298. [DOW JONES ENERGY SERVICE IS PUBLISHED BY DOW JONES NEWSWIRES, INC., 800 PLAZA II, HARBORSIDE FINANCIAL CENTER, JERSEY CITY, NEW JERSEY 07311.] Reuters online data are provided by Reuters, Three Times Square, New York, New York 12081. **Before Register 221 (April, 2017) the regulation referenced *Platt's Oilgram Price Report*. Effective March 1, 2017, Register 221, the reference was changed to "Platt's."** italicize

15 AAC 55.191(j)(1) is amended to read:

(1) fuel for the vessel or LNG tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported __by *Platt's*__ [OILGRAM PRICE REPORT] at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;

ICN PLATTS
bold/ul

15 AAC 55.191(j)(21) is amended to read:

(21) other costs directly associated with the operation or maintenance of the vessel or LNG tanker, including costs for port services and operations, cargo scheduling and planning, fleet staffing, fleet scheduling, fleet staff training, fleet safety, engineering for repair, engineering for maintenance, engineering for __**dry-docking**__ [DRYDOCKING], quality assurance for vessel operations, communication systems, navigation systems, United States Coast Guard certifications, and utility services; these costs include costs for personnel performing the functions listed and the first level of supervision of these personnel;

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 4/30/2010, Register 194; am 3/1/2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.040	AS 43.55.150
	AS 43.55.020	AS 43.55.110	AS 43.55.900
	AS 43.55.030		

The editor's note is changed to read:

Editor's note: *Platt's* **prices** [OILGRAM PRICE REPORT IS] **are** published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, New York 10020. **Before Register 221 (April, 2017) the regulation referenced *Platt's Oilgram Price Report*. Effective March 1, 2017, Register 221, the reference was changed to "Platt's."**

italicize

15 AAC 55.193(d)(1) is amended to read:

(1) fuel for the vessel or LNG tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported **by *Platt's*** [IN *PLATT'S OILGRAM PRICE REPORT]* at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;

(Eff. 4/30/2010, Register 194; am 3/1/2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.040	AS 43.55.150
	AS 43.55.020	AS 43.55.110	AS 43.55.900
	AS 43.55.030		

Editor's note: ***Platt's* prices are** [*PLATT'S OILGRAM PRICE REPORT* IS] published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, New York 10020. **Before**

Register 221 (April , 2017) the regulation referenced *Platt's Oilgram Price Report.*

italicize

Effective March 1 , 2017, Register 221 , the reference was changed to "Platt's."

15 AAC 55.195(d)(18)(B)(i) is amended to read:

(i) except as provided in (ii) of this subparagraph, is the cost of capital, as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual*, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this sub-subparagraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in **Duff & Phelps, *Valuation Handbook, Industry Cost of Capital,*** [MORNINGSTAR INC., *THE COST OF CAPITAL* YEARBOOK,] published during the previous calendar year, plus, for LNG transportation facilities, 0.2 percent after December 31, 2001; and

15 AAC 55.195(f)(17)(A) is amended to read:

(A) except as provided in (B) of this paragraph, is the cost of capital as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual*, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this paragraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in **Duff & Phelps, *Valuation Handbook, Industry Cost of Capital,*** [IBBOTSON ASSOCIATES *THE COST OF CAPITAL YEARBOOK*] published during the previous calendar year, plus 0.4 percent; and

15 AAC 55.195(h)(16)(A) is amended to read:

(A) except as provided in (B) of this paragraph, is the cost of capital as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual*, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this paragraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in **Duff & Phelps, *Valuation Handbook, Industry Cost of Capital*** [IBBOTSON ASSOCIATES *THE COST OF CAPITAL YEARBOOK*] published during the previous calendar year, plus 0.4 percent; and

(Eff. 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 4/30/2010, Register 194; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.030	AS 43.55.110
	AS 43.55.020	AS 43.55.040	AS 43.55.150

Editor's note: The material adopted by reference in 15 AAC 55.195(d), (f), and (h) from the *Standard Industrial Classification Manual* may be viewed at or obtained from the Department of Revenue, Tax Division, 550 W. 7th Avenue, Suite 500, Anchorage, AK 99501. **The *Valuation Handbook, Industry Cost of Capital*, is published by Duff & Phelps, LLC, 311 South Wacker Drive, Suite 4200, Chicago, IL 60606, or www.duffandphelps.com** [*THE COST OF CAPITAL YEARBOOK* IS PUBLISHED BY MORNINGSTAR INC., 225 NORTH MICHIGAN AVENUE, SUITE 700, CHICAGO, ILLINOIS 60601]. **Before Register 221 (April , 2017) the regulation referenced *The Cost of Capital Yearbook*, published by Morningstar, Inc. Effective March 1 , 2017, Register 221 , the**

reference was changed to the *Valuation Handbook, Industry Cost of Capital*, published by Duff & Phelps, LLC.

Before 1/1/2000, Register 152, the substance of 15 AAC 55.195(a), (b), and (c) was in 15 AAC 55.191(d), (f), and (g). The history note for 15 AAC 55.195 does not reflect the earlier history of the provisions currently set out at 15 AAC 55.195(a), (b), and (c).

15 AAC 55.206(b) is amended to read:

(b) The provision of AS 43.55.160(b) that a production tax value may not be less than zero applies to each production tax value calculated for each segment. **Subject to the provisions of AS 43.55.023(b)(2), adjusted** [ADJUSTED] lease expenditures applicable to a segment that exceed the amount of adjusted lease expenditures that may, under AS 43.55.160(b), be deducted in calculating a production tax value for the segment are considered excess adjusted lease expenditures and, except as otherwise provided under 15 AAC 55.224, may not be reallocated to, or deducted in calculating a production tax value for, a different segment. Excess adjusted lease expenditures relating to the calculation of an annual production tax value, but not a monthly production tax value, may be used to establish a carried-forward annual loss to the extent allowed under AS 43.55.023(b) and 43.55.160(e).

15 AAC 55.206(c) is amended to read:

(c) For purposes of this section,

(1) except as otherwise provided under (2) of this subsection, each of the following is a segment for a producer:

(A) all oil and gas, if any, taxable under AS 43.55.011(e), other than gas subject to AS 43.55.011(o), that the producer produces from leases or properties in the state that include land north of 68 degrees North latitude;

(B) all oil and gas, if any, taxable under AS 43.55.011(e), other than gas subject to AS 43.55.011(o) or oil or gas subject to AS 43.55.011(p), that the producer produces from leases or properties in the state outside the Cook Inlet sedimentary basin no part of which is north of 68 degrees North latitude, for a calendar year before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a);

(C) oil, if any, taxable under AS 43.55.011(e) that the producer produces [BEFORE 2022] from each lease or property in the Cook Inlet sedimentary basin; for purposes of this paragraph, oil produced from each lease or property constitutes a separate segment;

(D) gas, if any, taxable under AS 43.55.011(e) that the producer produces [BEFORE 2022] from each lease or property in the Cook Inlet sedimentary basin; for purposes of this paragraph, gas produced from each lease or property constitutes a separate segment;

(E) gas, if any, taxable under AS 43.55.011(e) that the producer produces [BEFORE 2022] from each lease or property in the state outside the Cook Inlet sedimentary basin and that is used in the state, other than gas subject to AS 43.55.011(p);

for purposes of this paragraph, gas produced from each lease or property constitutes a separate segment;

(F) all oil and gas[.], if any, taxable under AS 43.55.011(e) and subject to AS 43.55.011(p) that the producer produces;

(G) all oil and gas, if any[.], taxable under AS 43.55.011(e) that the producer produces from leases or properties in the state no part of which is north of 68 degrees North latitude, other than oil or gas described in (B), (C), (D)[.], (E)[.], or (F) of this paragraph[:];

(2) if a producer or explorer does not produce any oil or gas from leases or properties in the

(A) state that include land north of 68 degrees North latitude, the area of the state north of 68 degrees North latitude is a segment for the producer or explorer;

(B) state outside the Cook Inlet sedimentary basin no part of which is north of 68 degrees North latitude, the area of the state outside the Cook Inlet sedimentary basin and not including any land north of 68 degrees North latitude is a segment for the producer or explorer [FOR A CALENDAR YEAR BEFORE OR DURING THE LATEST OF;

(I) 2021;

(II) THE LAST CALENDAR YEAR UNDER AS 43.55.024(B) FOR WHICH THE PRODUCER COULD TAKE A TAX CREDIT UNDER AS 43.55.024(A); AND

(III) THE LAST CALENDAR YEAR FOR WHICH AS 43.55.011(P) COULD LIMIT THE LEVY OF TAX UNDER AS 43.55.011(E) FOR ANY OF THE PRODUCER'S OIL OR GAS];

(C) Cook Inlet sedimentary basin, the Cook Inlet sedimentary basin is a segment for the producer or explorer [FOR A CALENDAR YEAR BEFORE OR DURING THE LATEST OF

(I) 2021;

(II) THE LAST CALENDAR YEAR UNDER AS 43.55.024(B) FOR WHICH THE PRODUCER COULD TAKE A TAX CREDIT UNDER AS 43.55.024(A); AND

(III) THE LAST CALENDAR YEAR FOR WHICH AS 43.55.011(P) COULD LIMIT THE LEVY OF TAX UNDER AS 43.55.011(E) FOR ANY OF THE PRODUCER'S OIL OR GAS;

(D) STATE NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, THE AREA OF THE STATE NOT INCLUDING ANY LAND NORTH OF 68 DEGREES NORTH LATITUDE IS A SEGMENT FOR THE PRODUCER OR EXPLORER FOR A CALENDAR YEAR AFTER THE LATEST OF

(I) 2021;

(II) THE LAST CALENDAR YEAR UNDER AS 43.55.024(B) FOR WHICH THE PRODUCER COULD TAKE A TAX CREDIT UNDER AS 43.55.024(A); AND

(III) THE LAST CALENDAR YEAR FOR WHICH AS 43.55.011(P) COULD LIMIT THE LEVY OF TAX UNDER AS 43.55.011(E) FOR ANY OF THE PRODUCER'S OIL OR GAS].

15 AAC 55.206(d) is amended to read:

(d) For leases or properties in the Cook Inlet sedimentary basin that first commenced commercial production of oil or gas before April 1, 2006, unless otherwise approved or required by the department, [BEFORE 2022] the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013. Production of oil or gas from a lease or property in the Cook Inlet sedimentary basin that first commences commercial production of oil or gas on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for which the producer calculated an economic limit factor under former AS 43.55.013, must be treated [BEFORE 2022] as production from a distinct lease or property.

15 AAC 55.206(e) is amended to read:

(e) Except as otherwise provided under (f) of this section,

(1) for gas used in the state and produced from leases or properties outside the Cook Inlet sedimentary basin that first commenced commercial gas production before April 1,

2006, unless otherwise approved or required by the department, [BEFORE 2022] the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013;

(2) production of gas used in the state from a lease or property outside the Cook Inlet sedimentary basin that first commences commercial production on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for which the producer calculated an economic limit factor under former AS 43.55.013, must be treated [BEFORE 2022] as production from a distinct lease or property.

(Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3/1/2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

Article 2 of 15 AAC 55 is amended by adding a new section to read:

15 AAC 55.208. Calculation of adjusted lease expenditures and production tax value for a municipal entity. (a) An annual production tax value is not calculated under AS 43.55.160(a)(1) or (h) for oil or gas produced by a municipal entity that it does not sell to another party. The calculation of an annual production tax value under AS 43.55.160(a)(1) or (h) for oil or gas produced by a municipal entity that it sells to another party is subject to the provisions of this section.

(b) For each category of oil, gas, or oil and gas for which the calculation of an annual production tax value is specified under AS 43.55.160(a)(1)(A) – (G) and for each category of oil for which the calculation of an annual production tax value is specified under AS 43.55.160(h)(1) – (4), a municipal entity that produces oil or gas within that category during a calendar year that it sells to another party shall calculate a fraction, the numerator of which is equal to the amount of oil, gas, or oil and gas produced by the municipal entity in that category during the calendar year, in BTU equivalent barrels, that it sells to another party, other than oil or gas in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest, and the denominator of which is equal to the total amount of oil, gas, or oil and gas produced by the municipal entity in that category during the calendar year, in BTU equivalent barrels, other than oil or gas in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest. Subject to AS 43.55.160(b), the amount of adjusted lease expenditures that is deductible from the gross value at the point of production of the oil, gas, or oil and gas in that category that the municipal entity sells to another party equals the product of the amount of adjusted lease expenditures that are described in the applicable provision of AS 43.55.160(a) or (h) for that category, multiplied by the fraction calculated under this subsection for that calendar year for that category.

(c) The only adjusted lease expenditures incurred by a municipal entity that may be used to establish a carried-forward annual loss under AS 43.55.023(b)(1), subject to the provisions of AS 43.55.023(b)(2), are the portion, if any, of the amount of adjusted lease expenditures calculated under (b) of this section that would otherwise be deductible in calculating an annual production tax value but whose deduction would cause the annual production tax value to be less than zero. (Eff. 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.895
AS 43.55.023 AS 43.55.160

15 AAC 55.211(h) is amended to read:

(h) **Except as provided under 15 AAC 55.511(c)(2), the** [THE] gross value at the point of production of oil or gas is reduced under AS 43.55.160(f) or (g) only for the purpose of calculating an annual production tax value under AS 43.55.160(a)(1)(A) **or (h)(1), subject to the provisions of AS 43.55.023(b)(2)**. The gross value at the point of production of oil is not reduced under AS 43.55.160(f) or (g) for the purpose of calculating an average gross value at the point of production of oil for a month under AS 43.55.024(j), or for the purpose of calculating a gross value at the point of production under AS 43.55.011(f) or AS 43.55.020(a)(1)(B)(ii), (5)(B)(ii), or (7)(A)(ii). ← bold underline

15 AAC 55.211 is amended by adding a new subsection to read:

(i) Except as provided under 15 AAC 55.212(*l*), a reduction in the gross value at the point of production provided by AS 43.55.160(f) or (g) is not optional. (Eff. 12/25/2013, Register 208; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

15 AAC 55.212(j) is amended to read:

(j) A determination by the department under (e)(1) of this section is not required in order for a producer of oil or gas that otherwise meets the criteria in AS 43.55.160(f)(1), the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) to reduce the gross value at the point of production of the oil or gas in the calculation of an annual production tax value to the extent allowed under AS 43.55.160(f) and (g). Oil that meets the criteria in AS 43.55.160(f)(1), the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) **and that is produced, if on or after January 1, 2017, during a period for which a gross value reduction is allowed under 15 AAC 55.214,** does not qualify for a tax credit under AS 43.55.024(j) regardless of whether the department has issued a determination under (e)(1) of this section and regardless of whether the producer reduces the gross value at the point of production of the oil under AS 43.55.160(f) or under AS 43.55.160(f)(1) and (g) in the calculation of an annual production tax value.

15 AAC 55.212(*l*) is amended to read:

(*l*) Regardless of whether the department has accepted under (f)(1) of this section a methodology applicable to acreage that was added after December 31, 2013 to an existing participating area north of 68 degrees North latitude, a producer's oil taxable under

AS 43.55.011(e) that does not meet the criteria in AS 43.55.160(f)(1) or (2) and that is produced during a month after December 31, 2013 from the participating area qualifies for a tax credit under AS 43.55.024(j) if the producer has not elected to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any of the oil or gas produced from the participating area. However, if a producer elects for any month**, as allowed under 15 AAC 55.214,** to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any oil or gas produced during the month from the participating area, the producer shall use the methodology accepted by the department under (f)(1) of this section to determine the volumes of oil and gas produced during that month and every succeeding month from the participating area that qualify for a reduction in gross value at the point of production under AS 43.55.160(f)(3)**, until the period for which a gross value reduction is allowed under 15 AAC 55.214 ends**. That volume of oil does not qualify for a tax credit under AS 43.55.024(j). In this subsection, "the participating area" means the existing participating area after expansion to include the acreage added after December 31, 2013. (Eff. 12/25/2013, Register 208; am 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

15 AAC 55 is amended by adding a new section to Article 2 to read:

15 AAC 55.214. Duration of gross value reductions. (a) This section implements the time limits established by AS 43.55.160(f) and (g) for reductions under those provisions in the gross value at the point of production of oil and gas.

(b) This subsection applies to (1) oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(1) or under AS 43.55.160(f)(1) and (g) if any oil or gas was produced before January 1, 2017, from the qualifying lease or property; (2) oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(2) if any oil or gas was produced before January 1, 2017, from the qualifying participating area; and (3) oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(3) if any oil or gas was produced before January 1, 2017, from the qualifying acreage added to a participating area. The period for which oil and gas produced from the qualifying lease or property, qualifying participating area, or qualifying acreage added to a participating area, respectively, may receive a gross value reduction ends on the earlier of December 31, 2022, or the alternate expiration date determined under (g) of this section.

(c) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(1) or under AS 43.55.160(f)(1) and (g) if no oil or gas was produced before January 1, 2017, from the qualifying lease or property. The period for which oil and gas produced from the qualifying lease or property may receive a gross value reduction begins on the first day that regular production of oil or gas commences from a well producing from the lease or property and ends on the date provided under (f) of this section.

(d) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(2) if no oil or gas was produced before January 1, 2017, from the qualifying participating area. The period for which oil and gas produced from the qualifying participating area may receive a gross value reduction begins on the first day that regular production of oil or gas commences from a well producing from the participating area and ends on the date provided under (f) of this section. However, if before establishment of the qualifying participating area, regular production of oil or gas commenced from one or more wells producing from a tract or tracts to be included in the participating area,

(1) the period begins on the date the participating area is established, unless none of those wells is still producing on that date, and ends on the date provided under (f) of this section;

(2) if none of those wells is still producing on the date the participating area is established, the period begins on the earlier of the day any of the wells resumes production after the participating area is established, or the first day on or after the participating area is established that regular production of oil or gas commences from a well producing from the participating area, and ends on the date provided under (f) of this section.

(e) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(3) if no oil or gas was produced before January 1, 2017, from the qualifying acreage added to a participating area. The period for which oil and gas produced from qualifying acreage added to a participating area may receive a gross value reduction begins on the first day that oil or gas whose volume the producer determines under 15 AAC 55.212(k) qualifies for a gross value reduction is produced from a well all of whose producing intervals are within that acreage, if the well has commenced regular production of oil or gas, and ends on the date provided under (f) of this section.

(f) A period subject to (c) - (e) of this section ends on the earlier of the following dates:

(1) the last day of the month that

(A) immediately precedes the month that includes the seventh anniversary of the day the period began, if that anniversary occurs before the 16th day of the month;

(B) includes the seventh anniversary of the day the period began, if that anniversary occurs after the 15th day of the month; or

(2) the alternate expiration date determined under (g) of this section.

(g) An alternate expiration date for a period under (b) – (e) of this section for which oil and gas may receive a gross value reduction is determined by (1) identifying the first sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds $70, that begins on or after January 1, 2017, for a period under (b) of this section, or that begins on or after the first day of the period, for a period under (c) – (e) of this section; (2) identifying the next sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds $70, that begins after the first sequence ends; and (3) identifying the next sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds $70, that begins after the second sequence ends. The alternate expiration date is the last day of the third sequence. For purposes of this subsection, the average price per barrel of ANS for sale on the United States West Coast over 12 consecutive months is equal to the simple average of the average spot prices for ANS at the United States West Coast during the 12 months as calculated under 15 AAC 55.171(m).

(h) If a period for which a gross value reduction is allowed under this section has begun for oil and gas produced from certain land that is later combined with other land and the combined land is treated as a lease or property qualifying for a gross value reduction under AS 43.55.160(f)(1), as a participating area qualifying for a gross value reduction under AS 43.55.160(f)(2), or as acreage added to an existing participating area and qualifying for a gross value reduction under AS 43.55.160(f)(3), neither the expiration of the period for oil and gas produced from the former land, nor the expiration of the period, if any, for oil and gas produced from the latter land, is extended beyond what it would be if the combination had not occurred.

(i) The day that a period for which a gross value reduction is allowed under this section ends is included in the period.

(j) The date that regular production of oil or gas commences from a well is determined by the Alaska Oil and Gas Conservation Commission.

(k) In this section, "gross value reduction" means a reduction in the gross value at the point of production of oil or gas under AS 43.55.160(f) or AS 43.55.160(f) and (g). (Eff. 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

The introductory language to 15 AAC 55.224(d) is amended to read:

(d) For a calendar year after 2013 for which a limitation under AS 43.55.011(j), (k), (o), or (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(C), (D), (E), or (F). Only the amount, if any, of those excess adjusted lease expenditures that is calculated under (7) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). The fraction of the amount calculated under (7) of this subsection that is subject to a 25 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (1) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The fraction of the amount calculated under (7) of this subsection that is subject to a 45 percent tax credit under AS 43.55.023(b) in the case of lease expenditures incurred after December 31, 2013, and before January 1, 2016, or a 35 percent tax credit under AS 43.55.023(b) in the case of lease expenditures incurred after December 31, 2015 **and before January 1, 2017**, is equal to the amount calculated under (2) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The calculations to be performed for the accounting under this subsection are as follows:

. . . . (((Publisher: 15 AAC 55.224(d)(1) - (7) are unchanged.)))

15 AAC 55.224 is amended by adding new subsections to read:

(e) For calendar year 2017 for which a limitation under AS 43.55.011(j), (k), (o), or (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(C), (D), (E), or (F). Only the amount, if any, of those excess adjusted lease expenditures that is calculated under (7) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). The fraction of the amount calculated under (7) of this subsection that is subject to a 15 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (1) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The fraction of the amount calculated under (7) of this subsection that is subject to a 35 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (2) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The calculations to be performed for the accounting under this subsection are as follows:

(1) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(l)(C), (D), and (F) for oil and gas produced from leases or properties no part of which is north of 68 degrees North latitude;

(2) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(1)(E) for gas produced from leases or properties that include land north of 68 degrees North latitude;

(3) sum the amounts calculated under (1) and (2) of this subsection and multiply that sum by 35 percent;

(4) calculate for each segment the amount by which a limitation under AS 43.55.011(j), (k), (o), or (p) reduces the amount of the producer's tax otherwise levied by AS 43.55.011(e);

(5) sum the total of the reductions calculated under (4) of this subsection for all affected segments;

(6) if the amount calculated under (3) of this subsection is

(A) greater than the amount calculated under (5) of this subsection, subtract the amount calculated under (5) of this subsection from the amount calculated under (3) of this subsection;

(B) equal to or less than the amount calculated under (5) of this subsection, consider the amount calculated under this paragraph to be zero;

(7) divide the amount calculated under (6) of this subsection by 0.35.

(f) For a calendar year after 2017 for which a limitation under AS 43.55.011(o) and (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(E), or (F). Only the amount, if any, of those excess adjusted lease expenditures that is calculated under (7) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). The fraction of the amount calculated under (7) of this subsection that is subject to a 15 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (1) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The fraction of the amount calculated under (7) of this subsection that is subject to a 35 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (2) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The calculations to be performed for the accounting under this subsection are as follows:

(1) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(l)(F) for gas produced from leases or properties no part of which is north of 68 degrees North latitude;

(2) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(1)(E) for gas produced from leases or properties that include land north of 68 degrees North latitude;

(3) sum the amounts calculated under (1) and (2) of this subsection and multiply that sum by 35 percent;

(4) calculate for each segment the amount by which a limitation under AS 43.55.011(j), (k), (o), or (p) reduces the amount of the producer's tax otherwise levied by AS 43.55.011(e);

(5) sum the total of the reductions calculated under (4) of this subsection for all affected segments;

(6) if the amount calculated under (3) of this subsection is

(A) greater than the amount calculated under (5) of this subsection, subtract the amount calculated under (5) of this subsection from the amount calculated under (3) of this subsection;

(B) equal to or less than the amount calculated under (5) of this subsection, consider the amount calculated under this paragraph to be zero;

(7) divide the amount calculated under (6) of this subsection by 0.35. (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3 / 1 /2017, Register 221)

Authority: AS 43.05.080 AS 43.55.024 AS 43.55.160

AS 43.55.011 AS 43.55.110 AS 43.55.165

15 AAC 55.315 is amended to read:

(a) A carried-forward annual loss tax credit under AS 43.55.023(b) may not be applied against a tax liability for the calendar year in which the adjusted lease expenditures on which the credit is based are incurred.

15 AAC 55.315 is amended to by adding new subsections to read:

(b) A determination of a carried-forward annual loss subject to AS 43.55.023(b)(2) may be performed by subtracting the reduction under AS 43.55.160(f) or (g) from the amount of excess adjusted lease expenditures otherwise calculated under 15 AAC 55.206(b) for the segment described in 15 AAC 55.206(c)(1)(A). Only the remainder, if positive, constitutes excess adjusted lease expenditures that may establish a carried-forward annual loss under AS 43.55.023(b). If the remainder is zero or less, there is no carried-forward annual loss.

(c) The following examples illustrate (b) of this section:

Example 1. Producer A produces only oil in a calendar year after 2016 that qualifies for a 20 percent reduction in the gross value at the point of production under AS 43.55.160(f) but not a reduction under AS 43.55.160(g). The gross value at the point of production, before reduction, is $10 million. After reduction under AS 43.55.160(f), the gross value at the point of production is $8 million. The producer's adjusted lease expenditures for the calendar year applicable to the oil are $9 million. The annual production tax value of the oil would be calculated by deducting $9 million from $8 million, except that an annual production tax value may not be less than zero. Therefore, the annual production tax value of the oil is zero, and the $1 million in adjusted lease expenditures that are not deductible are considered excess adjusted lease expenditures. However, for the purpose of determining a carried-forward annual loss and a potential tax credit under AS 43.55.023(b)(2), the $2 million reduction in the gross value at the point of production is subtracted from that $1 million in excess adjusted lease expenditures. This results in a negative value. Therefore, there is no carried-forward annual loss under AS 43.55.023(b)(2) and no tax credit.

Example 2. The facts are the same as in Example 1 except that the producer's adjusted lease expenditures for the calendar year applicable to the oil are $11 million instead of $9 million. In this situation, the annual production tax value of the oil again is zero, but the amount of excess adjusted lease expenditures is $3 million. After the $2 million reduction in the gross value at the point of production is subtracted from the $3 million figure, the resulting excess adjusted lease expenditures are $1 million. Therefore, there is a $1 million carried-forward annual loss under AS 43.55.023(b)(2). (Eff. 5/3/2007, Register 182; am 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160
AS 43.55.023

15 AAC 55.320(b) is amended to read:

(b) Information and documentation that the department will require a producer or explorer to provide in an application for a transferable tax credit certificate under AS 43.55.023(d) include

(1) the applicant's certification, under oath, that the expenditures for which the credit is claimed have been incurred, that the credit has not been used, and that the applicant is aware of no reason why the applicant does not qualify for the credit;

(2) a list of any authorizations for expenditure that apply to the expenditures for which the credit is claimed and copies of those authorizations;

(3) a schedule of the relevant expenditures incurred, identifying any applicable authorizations for expenditure and showing the accounts charged and, in the case of expenditures included in a joint interest billing, the month billed;

(4) a description of the lease or property or other land where the exploration, development, or production activities with respect to which the relevant expenditures were incurred took place, and a map or survey showing the location of the activities;

(5) if the relevant expenditures include costs associated with drilling a well, a

(A) copy of

(i) the Well Completion or Recompletion Report and Log (Form 10-407) filed with the Alaska Oil and Gas Conservation Commission under 20 AAC 25.070; or

(ii) a well completion report that is filed with a federal agency and that is substantially similar to the filing described in (i) of this subparagraph; or

(B) well status report, if at the time the application is made material described in (A) of this paragraph is not yet due to be filed and has not been filed;

(6) if the lease or property where the exploration, development, or production activities with respect to which the relevant expenditures were incurred took place is subject to a unit operating agreement, identification of the applicable unit operating agreement;

(7) a list of any partners or other entities that shared in costs of which the relevant expenditures incurred by the applicant are the applicant's share;

(8) if the relevant expenditures are subject to joint venture audit by a participant in a joint venture, identification of and contact information for the joint interest auditor; [AND]

(9) for a tax credit under AS 43.55.023(a) or (*l*) for an expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well,

(A) the applicant's written agreements described in AS 43.55.023(a)(2)(A) or (*l*)(2)(A), as applicable; and

(B) documentation that the applicant has submitted to the Department of Natural Resources all data referred to in AS 43.55.023(a)(2)(B) or (*l*)(2)(B), as applicable;

(10) copies of the applicant's most recent audited financial statements, including the auditor's opinion, notes to the audited financial statements, and information related to any contingent liabilities that may be owed by the applicant to another party; and

(11) any unresolved notices of violations, liens filed, or notices of assessment of or liability for tax, interest, penalty, fee, rental, royalty or other charge of any kind issued to the applicant related to an applicant's oil or gas exploration, development, or production in the state. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am 3/1/2017, Register 221)

Authority: AS 43.05.080 AS 43.55.023 AS 43.55.110

15 AAC 55.325 is repealed and will be readopted in Article 5 under a new section 15 AAC 55.525.

15 AAC 55.325. Cash purchases of tax credit certificates. Repealed. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; repealed 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.028 AS 43.55.110

15 AAC 55.330 is repealed:

15 AAC 55.330. Transitional investment expenditure credits. Repealed. (Eff. 5/3/2007, Register 182; repealed 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.165

AS 43.55.023

15 AAC 55.335(e) is amended to read:

(e) Subject to (g) of this section, the total amount of a producer's tax credits for a calendar year under AS 43.55.024(j) is determined by

(1) calculating for each month of the calendar year the number of barrels of oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and**,**

(A) for oil produced before January 1, 2017, that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this **subparagraph,** [PARAGRAPH,] oil does not meet the criteria in AS 43.55.160(f)(3) if

(i) [(A)] the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and

(ii) [(B)] the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(*l*) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

(B) for oil produced ~~on and~~ after ~~January 1, 2017~~ December 31, 2016, that does not receive a reduction in the gross value at the point of production under AS 43.55.160(f) or (g);

(2) multiplying for each month of the calendar year the number of barrels of oil calculated for the month under (1) of this subsection by the applicable dollar amount per barrel for the month under AS 43.55.024(j)(1) - (9) using the average gross value at the point of production for the month calculated under (f) of this section;

(3) summing over all months of the calendar year the products calculated for each month under (2) of this subsection.

15 AAC 55.335(f) is amended to read:

(f) For purposes of AS 43.55.024(j) and of (e) of this section, the average gross value at the point of production for a month is calculated by

(1) calculating the total gross value at the point of production of the oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and,

(A) for oil produced before January 1, 2017, that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this **subparagraph** [PARAGRAPH], oil does not meet the criteria in AS 43.55.160(f)(3) if

(i) [(A)] the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and

(ii) [(B)] the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(*l*) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

(B) for oil produced ~~on or~~ after ~~January 1, 2017~~ December 31, 2016, that does not receive a reduction in the gross value at the point of production under AS 43.55.160(f) or (g);

(2) dividing the amount calculated under (1) of this subsection by the number of barrels of oil calculated for the month under (e)(1) of this section.

15 AAC 55.335(g) is amended to read:

(g) If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) reduces the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may not apply a tax credit under AS 43.55.024(j) against the tax for that calendar year. If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) does not reduce the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may apply against the tax no more than the portion of a tax credit under AS 43.55.024(j) that is equal to the difference between the amount calculated for the calendar year under AS 43.55.011(f) and the tax liability after reduction by application of tax credits other than a tax credit under AS 43.55.024(j). In calculating that reduction, if the tax credits to be applied include one or more tax credits subject to a percentage limitation under [AS 38.05.180(i) OR] AS 43.55.023(e), calculation of the percentage limitations under 15 AAC 55.375(a) must take account of any tax credit or portion of a tax credit under AS 43.55.024(j) that the producer will apply against the producer's tax, to the extent allowed under this subsection.

15 AAC 55.335 is amended by adding a new subsection to read:

(h) As applied only to oil produced by a municipal entity, "oil taxable under AS 43.55.011(e)" in (e) and (f) of this section means oil produced from a lease or property in the state that the municipal entity sells to another party, other than oil in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3/1/2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.110
	AS 43.55.011	AS 43.55.030	AS 43.55.160

15 AAC 55 is amended by adding a new section to Article 3 to read:

15 AAC 55.337. Tax credits for a municipal entity. (a) For a tax credit based on expenditures incurred during a calendar year, other than a tax credit under AS 43.55.023(b), the amount of the municipal entity's tax credit may not exceed the amount of the tax credit otherwise allowed under this chapter, multiplied by the fraction calculated under (d) of this section for that calendar year.

(b) For a tax credit not based on expenditures, other than tax credits under AS 43.55.024(i) and (j), the amount of the municipal entity's tax credit for a calendar year may not exceed the amount of the tax credit otherwise allowed under this chapter, multiplied by the fraction calculated under (d) of this section for that calendar year.

(c) A municipal entity is eligible for tax credits under AS 43.55.024(i) or (j) only for oil, otherwise qualifying under AS 43.55.024(i) or (j), that it sells to another party, other than oil in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest.

(d) For each calendar year, the municipal entity shall calculate a fraction, the numerator of which is equal to the amount of oil and gas produced by the municipal entity from leases or properties in the state during the calendar year, in BTU equivalent barrels, that the municipal entity sells to another party, other than oil or gas in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest, and the denominator of which is equal to the total amount of oil and gas produced by that municipal entity from leases or properties in the state during the calendar year, in BTU equivalent barrels, other than oil or gas in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest. The fraction is equal to zero for a calendar year during which the municipal entity does not produce any oil or gas, or produces oil or gas from a lease or property, but does not sell any of that oil or gas to another party. (Eff. 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.110
	AS 43.55.019	AS 43.55.025	AS 43.55.895
	AS 43.55.023		

15 AAC 55.345(b) is amended to read:

(b) In addition to other information required by the department, a claim under this section for a tax credit for a qualified capital expenditure under AS 43.55.023(a), carried-forward annual loss under AS 43.55.023(b), or well lease expenditure under AS 43.55.023(*l*) must include

(1) a description and accounting of the expenditures for which the credit is claimed, including a summary of the types of expenditures and the month and calendar year each expenditure was incurred;

(2) a description of the lease or property or other land where the exploration, development, or production activities with respect to which the relevant expenditures were incurred took place, and if the producer is not the operator, identification of the operator;

(3) a list of any partners or other entities that shared in costs of which the relevant expenditures incurred by the producer are the producer's share, providing the respective shares of the partners or other entities, including the producer, and identifying the operator of the venture;

(4) identification of the custodians of the accounting records for the relevant expenditures, including the general ledgers, contracts, progress billings and invoices, and joint interest billings;

(5) if applicable, the producer's written

(A) agreement required under AS 43.55.023(a)(2), as the provisions of that paragraph read on June 30, 2007, in the case of an expenditure incurred for exploration work performed before July 1, 2008;

(B) agreements required under AS 43.55.023(a)(2), as amended by sec. 25, ch. 1, SSSLA 2007, or AS 43.55.023(*l*)(2), and documentation that the producer has submitted to the Department of Natural Resources all data referred to

(i) in AS 43.55.023(a)(2)(B), as amended by sec. 25, ch. 1, SSSLA 2007, in the case of a claim for a tax credit under AS 43.55.023(a) for an expenditure incurred for exploration work performed after June 30, 2008;

(ii) in AS 43.55.023(*l*)(2)(B), in the case of a claim for a tax credit under AS 43.55.023(*l*) for a well lease expenditure; [and]

(6) in the case of a

(A) claim for a tax credit under AS 43.55.023(a) for a qualified capital expenditure, the producer's certification that a tax credit has not been and is not being taken for the expenditure under [AS 38.05.180(i), AS 41.09.010,]AS 43.20.043, AS 43.55.023(*l*) or 43.55.025, except as provided under (c) of this section;

(B) claim for a tax credit under AS 43.55.023(*l*) for a well lease expenditure, the producer's certification that a tax credit has not been and is not being taken for the expenditure under [AS 38.05.180(i), AS 41.09.010,]AS 43.20.043, AS 43.55.023(a), or 43.55.025, except as provided under (c) of this section

(7) copies of the applicant's most recent audited financial statements, including the auditor's opinion, notes to the audited financial statements, and information related to any contingent liabilities that may be owed by the applicant to another party; and

(8) any unresolved notices of violations, liens filed, or notices of assessment of or liability for tax, interest, penalty, fee, rental, royalty or other charge of any kind issued to the applicant related to an applicant's oil or gas exploration, development, or production in the state.

15 AAC 55.345(e) is repealed:

(e) Repealed 3 / 1 / 2017.

15 AAC 55.345(f) is repealed:

(f) Repealed 3 / 1 / 2017.

15 AAC 55.345(g) is repealed:

(g) Repealed 3 / 1 / 2017.

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.025	AS 43.55.040
	AS 43.55.023	AS 43.55.030	AS 43.55.110
	AS 43.55.024		

15 AAC 55.351(d) is amended to read:

(d) This section applies to exploration expenditures for work performed after June 30, 2008 and before July 1, 2016, and to seismic exploration expenditures for work performed before July 1, 2003**, except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude must be incurred for work performed after June 30, 2008 and before January 1, 2022, or as provided in (e) of this section**.

15 AAC 55.351 is amended by adding a new subsection to read:

(e) AS 43.55.025(a)(6) exploration expenditures that qualify under AS 43.55.025(m) must be incurred for work performed after June 1, 2012 for a well spudded before July 1, 2017. (Eff. 12/25/2009, Register 192; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.356(g) is amended to read:

(g) This section applies to exploration expenditures for work performed after June 30, 2008 and before July 1, 2016, and to seismic exploration expenditures under AS 43.55.025(k) for work performed before July 1, 2003**, except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude must be incurred for work performed after June 30, 2008 and before January 1, 2022, or as provided in (h) of this section**.

15 AAC 55.356 is amended by adding a new subsection to read:

(h) AS 43.55.025(a)(6) exploration expenditures that qualify under AS 43.55.025(m) must be incurred for work performed after June 1, 2012 for a well spudded before July 1, 2017. (Eff. 12/25/2009, Register 192; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.360(a) is amended to read:

(a) For purposes of the alternative oil and gas exploration tax credit under

(1) **AS 43.55.025(a)(1) - (4)** [AS 43.55.025], as the provisions of that section read on June 30, 2008, qualified exploration expenditures are the reasonably required direct costs for work performed on a particular exploration well or seismic or geophysical exploration project on or after July 1, 2003 and before July 1, 2008;

(2) **AS 43.55.025(a)(1) - (4)** [AS 43.55.025], in effect on July 1, 2008, qualified exploration expenditures are the reasonably required direct costs for work performed on a particular exploration well or seismic or other geophysical exploration project after June 30, 2008, and before July 1, 2016, or on a particular seismic exploration project before July 1, 2003**, except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North Latitude must be incurred for work performed after June 30, 2008 and before January 1, 2022;**

(3) AS 43.55.025(a)(6) exploration expenditures that qualify under AS 43.55.025(m) must be incurred for work performed after June 1, 2012 for a well spudded before July 1, 2017.

(Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.375(a) is amended to read:

(a) For purposes of applying a percentage limitation under AS 43.55.023(e) [OR 38.05.180(i)] on the use of tax credits against a tax levied by AS 43.55.011(e), a producer shall, subject to 15 AAC 55.335(g),

(1) first, apply all tax credits allowable against the tax levied by AS 43.55.011(e) other than credits subject to a percentage limitation under AS 43.55.023(e) [OR 38.05.180(i)];

(2) **repealed 3 / 1 / 2017**;

(3) **second** [THIRD], apply a credit subject to a percentage limitation under AS 43.55.023(e) against not more than 20 percent of the balance of the remaining tax liability under AS 43.55.011(e), if any.

15 AAC 55.375(b) is repealed:

(b) Repealed 3 / 1 / 2017.

15 AAC 55.375(c) is amended to read:

(c) Except as provided under (a) [AND (b)] of this section, and subject to 15 AAC 55.335(g), a producer may apply tax credits in any order, if the producer submits with the statement required under AS 43.55.030(a) a separate schedule setting out the order in which the tax credits are applied. In the absence of that schedule, tax credits must be applied in the following order:

(1) first, any credit under AS 43.55.024(a);

(2) second, any credit under AS 43.55.024(c);

(3) third, for a calendar year after 2013, any credit under AS 43.55.024(i);

(4) fourth, any credit under AS 43.55.019;

(5) fifth, for a calendar year after 2013, any credit under AS 43.55.024(j);

(6) sixth, any credit under AS 43.55.025;

(7) **repealed 3 / 1 / 2017**;

(8) **seventh** [EIGHTH], any credit under AS 43.55.023(a);

(9) **eighth** [NINTH], any credit under AS 43.55.023(*l*);

(10) **ninth** [TENTH], any credit under AS 43.55.023(b);

(11) **repealed 3 / 1 / 2017**;

(12) **repealed 3 / 1 / 2017**;

(13) **tenth** [THIRTEENTH], any credit under AS 43.55.023(e). (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am 12/25/2013, Register 208; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.110
	AS 43.55.023	AS 43.55.025	

15 AAC 55.410(c) is amended to read:

(c) AS 43.55.011(e)(1) applies to oil and gas produced before January 1, 2014. AS 43.55.011(e)(2) applies to oil and gas produced after December 31, 2013, **and before**

January 1, 2022. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.011 AS 43.55.110

15 AAC 55.440(b) is amended to read:

(b) For purposes of **former** AS 43.55.011(k)(2) **as that provision applied to oil produced before January 1, 2017**, the average rate of tax that was imposed under AS 43.55 on taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin for the 12-month period ending on March 31, 2006, was zero percent.

15 AAC 55.440(d) is amended to read:

(d) For purposes of **AS 43.55.011(o)** [AS 43.35.011(o)], the amount of tax for each Mcf determined under AS 43.55.011(j)(2) is $.177. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.020 **AS 43.55.160**

AS 43.55.011 AS 43.55.110

15 AAC 55.511(b) is amended to read:

(b) For purposes of the calculations described in AS 43.55.020(a)(1)(B)(ii) and (5)(B)(ii) for oil and gas produced after June 30, 2007,

(1) the gross value at the point of production of the oil and gas produced is calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o);

(2) the applicable percentage of the gross value at the point of production is determined under **AS 43.55.011(f)** [AS 43.55.011(f)(1) - (4)] but substituting the phrase "the month for which the installment payment is calculated" for the phrase "the calendar year for which the tax is due";

(3) the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during a month is equal to the average spot price for ANS at the United States West Coast during the month as calculated under 15 AAC 55.171(m).

15 AAC 55.511(c) is amended to read:

(c) For purposes of the calculations

(1) described in AS 43.55.020(a)(1)(B)(iii) and **(5)(B)(iii)** [(5)(B)(ii)] for oil and gas produced after June 30, 2007, the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o)**;**

(2) described in AS 43.55.020(a)(5)(B)(iii) for oil and gas produced after December 31, 2013, if the gross value at the point of production of the oil and gas produced during the month for which the installment payment is calculated is reduced under

AS 43.55.160(f) or under AS 43.55.160(f) and (g) in the calculation of an annual production tax value under AS 43.55.160(a)(1)(A) or (h), the gross value at the point of production is also reduced in the calculation of the installment payment.

15 AAC 55.511 is amended by adding a new subsection to read:

(h) For oil or gas produced by a municipal entity,

(1) an installment payment under AS 43.55.020(a) is calculated only for oil or gas that the municipal entity sells to another party;

(2) where the calculation of an installment payment under AS 43.55.020(a) calls for deducting 1/12 of the producer's adjusted lease expenditures for a calendar year that are deductible under AS 43.55.160, the amount of deductible adjusted lease expenditures for the calendar year is subject to 15 AAC 55.208(b). (Eff. 10/21/2009, Register 192; am 4/30/2010, Register 194; am 12/25/2013, Register 208; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.020	**AS 43.55.160**
	AS 43.55.011	AS 43.55.110	**AS 43.55.895**

15 AAC 55 is amended by adding a new section to Article 5 to read:

15 AAC 55.525. Cash purchases of tax credit certificates. (a) For applications to purchase tax credit certificates received by the department before January 1, 2017 the department will first determine if there is enough money in the oil and gas tax credit fund to purchase the outstanding certificates. If the total amount of applications for purchases of tax credit certificates received by the department before January 1, 2017 for which applicants qualify at any time under AS 43.55.028(e) exceeds the amount of available money in the oil and gas tax credit fund, the department will allocate funds proportionally between those applicants based on the balance of tax credit certificates requested for purchase on applications outstanding as of December 31, 2016. If the applicant or claimant has an outstanding liability to the state for unpaid delinquent taxes under this title, the department may reduce the cash purchase by the amount of the outstanding liability.

(b) For applications to purchase tax credit certificates received by the department on and after January 1, 2017 the department will first determine if there is enough money in the oil and gas tax credit fund to purchase the outstanding certificates. If the total amount applied for in applications for purchases of tax credit certificates received by the department on and after January 1, 2017, for which applicants qualify at any time under AS 43.55.028(e) exceeds the amount of available money in the oil and gas tax credit fund, the department will allocate funds on an annual basis by granting a preference between two or more applicants to the applicant with the higher percentage of resident workers as provided in subsection (f). Subject to the availability of funds in the oil and gas tax credit fund and the provisions of AS 43.55.028(e) and (g), and the limitations of this section, when allocating funds between applicants the department will

(1) first, process and determine the eligibility of applications for the purchase of tax credit certificates on an annual basis;

(2) second, determine the amount of tax credit certificates to be purchased as calculated under paragraph (c) of this section from the applicant with the highest percentage of

resident workers before purchasing any amount of tax credit certificates from an applicant with a lower percentage of resident workers. If two or more applicants have the same percentage, rounded to the nearest whole percent, of resident workers, the department will pay available funds to those applicants on a pro-rata basis;

(3) third, after the department has made a final determination of the amount of funds to be allocated for the purchase of tax credit certificates the director of the tax division will send a notice to each applicant detailing the amount of the application that has been approved for purchase and also make the same information available to the public in accordance with AS 43.05.230(*l*) and 15 AAC 05.250;

(c) For applications to purchase tax credit certificates received by the department on and after January 1, 2017 the department will determine the amount of the credit purchase limit under AS 43.55.028(g)(3) by

(1) first, determining an amount which is equal to 100 percent of the lesser of the first 35 million dollars or the amount of the tax credit certificate or portion of the certificate requested to be purchased;

(2) second, subtracting the amount determined in paragraph (1) of this subsection from the amount of the certificate's original value to determine the amount, if any, of the remaining certificate value;

(3) third, determine an amount which is equal to 75 percent of the lesser of the next 35 million dollars of the credit purchase limit or the amount, if any, of the remaining certificate value. If no additional credit is applied for in the current period the amount is zero;

(4) fourth, add the amounts obtained in paragraphs (1) and (3) of this subsection to determine the amount of the tax credit certificate that is eligible for purchase in the current year;

(5) fifth,

(A) 35 million dollars or the amount of the original certificate value for the first 50 percent of the credit purchase limit under AS 43.55.028(e); or

(B) 70 million dollars or the amount of the original certificate value submitted for purchase for the next 50 percent of the credit purchase limit under AS 43.55.028(e), if the amount of the certificate value submitted for purchase is greater than 35 million dollars; the difference, if any, represents the amount of the tax credit certificate to be relinquished by the applicant, may not be carried-forward into a future period, and will not be eligible for purchase by the department in the current or any future period;

(6) sixth, determine the amount, if any, that may be carried forward into future periods by subtracting 70 million dollars from the amount of the original certificate value or portion of certificate applied for purchase in the current year; if the amount is less than or equal to zero then no amount may be carried forward.

(d) The calculations to be performed under paragraphs (c)(1) – (6) of this section are illustrated in the following example:

Example of Calculation of Credit Purchase Limit Under 15 AAC 55.525[c]						
Paragraph	Original Certificate Value	$0 - $35,000,000	$50,000,000	$50,000,000	$70,000,000	$100,000,000
	Amount of Application for Purchase	$35,000,000	$35,000,000	$50,000,000	$70,000,000	$100,000,000
1	1st $35 million at lesser of 100% of $35 million or Original Certificate Value	$35,000,000	$35,000,000	$35,000,000	$35,000,000	$35,000,000
2	Remaining Certificate Value	$0	$15,000,000	$15,000,000	$35,000,000	$65,000,000
3	2nd $35 million at lesser of 75% of $35 million or Remaining Certificate Value	$0	$0	$11,250,000	$26,250,000	$26,250,000
4	Amount of Tax Credit Certificate Eligible for Purchase in Current Year	$35,000,000	$35,000,000	$46,250,000	$61,250,000	$61,250,000
5	Lesser of Applicable Credit Purchase Limit or Amount of Purchase Application	$35,000,000	$35,000,000	$50,000,000	$70,000,000	$70,000,000
5	Amount of Tax Credit Certificate Relinquished and Not Eligible for Purchase	$0	$0	($3,750,000)	($8,750,000)	($8,750,000)
6	Amount Carried-Forward and Eligible for Purchase in Subsequent Period	$0	$15,000,000	$0	$0	$30,000,000

(e) Subject to the limitations of AS 43.55 and this section,

(1) an applicant may request the purchase of the full amount of a tax credit certificate, or a portion of a certificate; in making an application for purchase, and if the amount of the total cash purchase requests for the year is greater than 35 million dollars, the applicant must identify, by year, the amount of the certificate for which a purchase request is being made;

(2) regardless of the amount of cash purchases for which an applicant might be eligible to receive in any calendar year, the amount of any cash payment, or sum of cash payments, may not exceed the credit purchase limit described in AS 43.55.028(e);

(3) a tax credit certificate, or portion of a tax credit certificate for which an application for purchase has not been made may be carried-forward into future periods and available for purchase in a subsequent year.

(f) The provisions of (e) of this section are illustrated in the following example:

Example: An explorer or producer is the holder of 105 million dollars of credit certificates and makes an application to the department for purchase of the certificates. In the application, the applicant designates that in year 1 the requested amount of purchase is 35 million dollars, in year 2 the requested amount of purchase is 35 million dollars, and in year 3 the requested amount of purchase is 35 million dollars. If, in years 1 and 2 there are not sufficient funds by which the department can purchase the certificates, but in year 3 there are funds available to purchase 100 million dollars of certificates, the payment to the applicant would be limited to 70 million dollars and the remaining 35 million dollars of certificates not purchased would carry-forward into the next calendar year and, if sufficient funds remain in the purchase account, the certificates may be purchased in the year into which the remaining balance was carried-forward.

(g) For the purposes of AS 43.55.028(g)(2), an applicant shall report the percentage of resident workers in its workforce, including direct contractors, to the department and shall retain information to substantiate that percentage for a period of three years following the purchase of the tax credit certificate. The applicant's report must include a narrative explanation and illustrative calculation describing how the reported percentage was quantified. Information that may be used to substantiate the reported percentage of resident workers may include documentation prepared or acquired in the ordinary course of business and compilations of employee data extracted from governmental tax, payroll, identity verification, or similar types of forms that are within the applicant's or its direct contractor's control or ability to acquire. The department may use all available data, including information from the Department of Labor and Workforce Development, to verify an applicant's claimed percentage of resident workers. A report under this subsection is subject to the following:

(1) for purposes of AS 43.55.028(g)(2) and this section, the percentage of resident workers in the "previous calendar year" means the percentage of resident workers as of December 31 of the year in which the work performed in connection with the applicant's expenditures allowed for the credit certificates claimed for the cash purchase under AS 43.55.028;

(2) if an applicant has more than 25 direct contractors, the applicant may contact the department to determine whether the applicant's expenditures for a particular direct contractor can be considered minor compared to expenditures for other direct contractors and excluded for purposes of determining the percentage of resident workers;

(3) if the department cannot verify an applicant's claimed percentage of resident workers, the department will notify the applicant and will assign the application a percentage

consistent with information available to the department; the department will use the assigned percentage for prioritizing the applicant's request for payment; if an applicant files an appeal regarding the applicant's percentage of resident workers, the applicant's percentage for payment prior to an appeal decision will be the percentage as determined by the department; otherwise, the percentage will be the amount as determined by the appeal decision.

(h) Subject to the provisions and limitations of AS 43.55.028 and this section

(1) applications for purchase of tax credit certificates received before January 1, 2017 will be paid before considering applications for purchase received on and after January 1, 2017;

(2) for each subsequent calendar year, all applications for purchase received from a prior year will be paid in accordance with the applicable statutes and provisions of this section prior to considering applications in that subsequent calendar year; applications will be prioritized based upon

(A) first, the year in which the application for purchase of the tax credit certificate or portion of the certificate was received; and

(B) second, the percentage of resident workers in the applicant's workforce;

(3) an application must include a certification that the explorer's or producer's operation in the state or its ownership of an interest in a lease or property in the state is not for the purpose of dividing a single entity into multiple explorer or producer entities for the purpose of increasing the amount tax credits that might be eligible for purchase in any calendar year that no entity, including affiliates may receive more than $70 million in cash purchases;

(4) to be valid, an application must meet the requirements of AS 43.55.028(e)(1) - (5).

(i) If an applicant has an outstanding liability to the state the department may purchase only that portion of a certificate or pay only that portion of a refund that exceeds the outstanding liability, regardless of when that liability may have been incurred, prior to the department purchasing the tax credit certificate or portion of the certificate requested for purchase. If the purchase of a tax credit certificate or portion of a certificate has been reduced under AS 43.55.028(j) by the department making payment to another department to which an outstanding liability is owed and an applicant is successful in their appeal with that other department, then the applicant must seek reimbursement from that other department.

(j) An applicant may withdraw an application for purchase of a tax credit certificate at any time up to the point at which an application for purchase has been approved by the director of the tax division. An applicant may reapply for the purchase of a tax credit certificate that has been withdrawn by the applicant and, subject to the terms of this section, the new application will be ranked based on the filing date of the new application.

(k) Interest does not accrue with respect to any purchase of a tax credit certificate under AS 43.55.028(e). (Eff. 3 / 1 / 2017, Register 221)

Authority: AS 43.05.080 AS 43.55.028 AS 43.55.110

Editor's note: The subject matter of 15 AAC 55.525 was formerly located at 15 AAC 55.325. The history note for 15 AAC 55.525 does not reflect the history of the earlier section.

15 AAC 55.800(a) is amended to read:

(a) **Except as otherwise provided in this section,** the [THE] following provisions apply retroactively to April 1, 2006, to oil and gas produced after March 31, 2006:

(1) 15 AAC 55.192;

(2) 15 AAC 55.205;

(3) 15 AAC 55.215;

(4) 15 AAC 55.223;

(5) 15 AAC 55.245, as amended effective December 4, 2010;

(6) 15 AAC 55.270, as amended effective December 4, 2010, except 15 AAC 55.270(a)(2)(C) and (e), which apply retroactively to July 1, 2007;

(7) 15 AAC 55.275;

(8) 15 AAC 55.280, as repealed and readopted effective December 4, 2010;

(9) **15 AAC 55.290 – 15 AAC 55.315(a)** [15 AAC 55.290 - 15 AAC 55.315];

(10) **15 AAC 55.335 – 15 AAC 55.340** [15 AAC 55.330 - 15 AAC 55.340];

(11) 15 AAC 55.345 – 15 AAC 55.355**, except 15 AAC 55.351(d) and (e), as amended effective March 1, 2017**;

(12) 15 AAC 55.370 – 15 AAC 55.380**, except 15 AAC 55.375(a) and (c), as amended effective March 1, 2017**;

(13) 15 AAC 55.410**, except 15 AAC 55.410(c), as amended effective March 1, 2017**;

(14) 15 AAC 55.420;

(15) 15 AAC 55.430;

(16) 15 AAC 55.440;

(17) 15 AAC 55.510;

(18) 15 AAC 55.810;

(19) 15 AAC 55.850;

(20) 15 AAC 55.900(a)(21) - (26) and (b)(21) - (25).

15 AAC 55.800(f) is amended to read:

(f) **Except as otherwise provided in this section,** the [THE] following provisions apply retroactively to July 1, 2007:

(1) 15 AAC 55.181;

(2) 15 AAC 55.193;

(3) 15 AAC 55.197;

(4) 15 AAC 55.206;

(5) 15 AAC 55.224;

(6) 15 AAC 55.341;

(7) 15 AAC 55.381;

(8) 15 AAC 55.421;

(9) 15 AAC 55.431;

(10) 15 AAC 55.511(a) - (d);

(11) 15 AAC 55.900(b)(26) and (27).

15 AAC 55.800 is amended to add new subsections to read:

(k) The provisions of 15 AAC 55.206(b) and 15 AAC 55.224(d) as amended effective March 1, 2017, apply retroactively to January 1, 2017, and otherwise apply retroactively to July 1, 2007.

(*l*) The provisions of 15 AAC 55.330(a) – (b), 15 AAC 55.330(d), 15 AAC 55.335(e) – (g), and 15 AAC 55.440(b), as amended effective March 1, 2017, apply retroactively to January 1, 2017, and otherwise apply retroactively to April 1, 2006, for oil and gas produced after March 31, 2006.

(m) The following provisions apply retroactively to January 1, 2017:

(1) 15 AAC 55.208;

(2) 15 AAC 55.211(h), as amended effective March 1, 2017;

(3) 15 AAC 55.211(i);

(4) 15 AAC 55.212(j) – (*l*), as amended effective March 1, 2017;

(5) 15 AAC 55.214;

(6) 15 AAC 55.224(e) – (f);

(7) 15 AAC 55.315(b);

(8) 15 AAC 55.335(h);

(9) 15 AAC 55.337;

(10) 15 AAC 55.511(h);

(11) 15 AAC 55.525;

(12) 15 AAC 55.850(b), as amended effective March 1, 2017;

(13) 15 AAC 55.850(c);

(14) 15 AAC 55.900(a)(44) – (46);

(15) 15 AAC 55.900(b)(22), as amended effective March 1, 2017;

(16) 15 AAC 55.900(b)(28).

(n) The changes to 15 AAC 55.511(c)(2), as amended effective March 1, 2017, apply retroactively to January 1, 2014. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am 12/4/2010, Register 196; am 3/1/2017, Register 221)

Authority:	AS 43.05.080	Sec. 37, ch.2, TSSLA 2006	**Sec. 38,ch.4 4SSLA 2016**
	AS 43.55.110	Sec. 72, ch. 1, SSSLA 2007	

15 AAC 55.850(b) is amended to read:

(b) As used in AS 43.55.028(e)(4) and (a) **and (c)** of this section, "average daily production of oil and gas" has the same meaning as "average amount of oil and gas produced a day" as used in AS 43.55.024(c).

15 AAC 55.850 is amended by adding a new subsection to read:

(c) Regardless of whether a producer is a municipal entity, a producer's average daily production of oil and gas taxable under AS 43.55.011(e) is calculated for purposes of AS 43.55.024(c) and 43.55.028(e)(4) using the total of all oil and gas produced from leases or properties in the state by the producer during the calendar year, excluding only oil and gas in which the federal government or the state has an ownership interest or the ownership or right to which constitutes a landowner's royalty interest. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.028	**AS 43.55.895**
	AS 43.55.024	AS 43.55.110	

15 AAC 55.900(a)(43) is amended to read:

(43) "oil and gas lease" has the meaning given in AS 43.55.900[.]**;**

15 AAC 55.900(a) is amended to add the following new paragraphs:

(44) "municipal entity" has the meaning given in AS 43.55.895(c);

(45) "direct contractor" means a person, other than an employee of the applicant whose salaries and wages are considered a direct cost under AS 43.55.165, with whom an applicant under AS 43.55.028(g)(2) maintains a contractual relationship for work performed in connection with the applicant's major expenditures allowed for the credit certificates claimed for the cash purchase under AS 43.55.028.

(46) "workforce" means employees who are resident workers as well as employees who do not meet the definition of resident worker.

15 AAC 55.900(b)(22) is amended to read:

(22) "taxable under AS 43.55.011(e)," when used in reference to oil or gas or both, means produced from a lease or property in the state but excluding any oil and gas **in which the federal government or the state has an ownership interest** [THE OWNERSHIP OR RIGHT TO WHICH IS EXEMPT FROM TAXATION] or **the ownership or right to which** constitutes a landowner's royalty interest; **this paragraph does not apply to AS 43.55.895(b)**;

15 AAC 55.900(b) is amended by adding a new paragraph to read:

(28) "sells to another party," when used in reference to oil or gas of a producer that is a municipal entity under AS 43.55.895, means sells to a person other than the producer. (Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am 12/4/2010, Register 196; am 9/14/2012, Register 203; am 12/25/2013, Register 208; am 3 / 1 / 2017, Register 221)

Authority:	AS 43.05.080	AS 43.55.025	AS 43.55.165
	AS 43.55.011	**AS 43.55.028**	AS 43.55.170
	AS 43.55.020	AS 43.55.110	AS 43.55.895 in bold/underline
	AS 43.55.023	AS 43.55.150	AS 43.55.900
	AS 43.55.024	AS 43.55.160	

MEMORANDUM

State of Alaska
Department of Law

To: The Honorable Byron Mallott
Lieutenant Governor

Date: January 26, 2017

File No.: JU2016200654

Tel. No.: 465-3600

From: Susan R. Pollard SRP
Chief Assistant Attorney General
and Regulations Attorney
Legislation and Regulations Section

Re: Department of Revenue
Regulation re: 15 AAC 05, 15 AAC 55: Oil and Gas Production Tax

The Department of Law has reviewed the attached Department of Revenue regulations against the statutory standards of the Administrative Procedure Act. Based upon our review, we find no legal problems. This memorandum constitutes the written statement of approval under AS 44.62.060(b) and (c) that authorizes your office to file the attached regulations. *Please note that the Editor's notes on pages 5, 7, 8, and 10 contain placeholders; once the effective date is established under AS 43.62.180, please make handwritten edits to put in the register number and effective date. The regulation 15 AAC 55.800 on pages 57, 59, and 60 contains placeholders for the effective date of the regulations to be written in once the effective date under AS 43.62.180 is established.*

The regulations were adopted by the Department of Revenue after the close of the public comment period. The regulations implement recent legislative changes to the oil and gas production tax (AS 43.55). The public notice and the adoption order both state that this action is not expected to require an increased appropriation. Therefore, a fiscal note under AS 44.62.195 is not required.

We have made some technical corrections to conform the regulations in accordance with AS 44.62.125. The corrections are shown on the attached copy of the regulations.

SRP:ads

cc: Hon. Randall Hoffbeck, Commissioner
Department of Revenue
John Larsen, Regulations Contact
Tax Division, Department of Revenue
Jennifer Douglas, Assistant Attorney General
Mary Gramling, Assistant Attorney General

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

BRIEF DESCRIPTION: The Department of Revenue proposes to change regulations affecting the oil and gas production tax to implement ch. 4, 4 SSLA 2016 (HB 247). 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, cash purchases of tax credit certificates, tax credits for municipalities, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax. The Department of Revenue further proposes to repeal regulations that are no longer necessary to implement the production tax program.

The Department of Revenue proposes to adopt regulation changes in Title 15, Chapters 05 and 55 of the Alaska Administrative Code, dealing with the administration of revenues and the oil and gas production tax, including the following:

(1) **15 AAC 05.250. Use of confidential information in enforcement proceedings**, is proposed to be changed as follows: the proposed amendment will change the time period that currently limits disclosure of confidential information.

(2) **15 AAC 05.255. Disclosure of a tax credit certificate purchased in 2016**, is proposed to be added as a new section to implement the statutory requirement that the names of recipients of cash purchases of tax credit certificates for the period January 1, 2016 through December 31, 2016 will be made public by April 30, 2017.

(3) **15 AAC 05.330. Assessment and collection**, is proposed to be changed as follows: the proposed amendments add a new subsection to implement statutory changes regarding the compounding of interest and the periods to which that compounding applies. Conforming amendments to this section are also proposed.

(4) **15 AAC 55.141. Methodology for calculating certain gas processing cost deduction**, is proposed to be changed as follows: the editor's note at the end of the section is proposed to be amended to update the link to the website for information from the Federal Reserve related to corporate bond yields. No other changes have been made to this section.

(5) **15 AAC 55.151. Gross Value of oil or gas at the point of production**, is proposed to be changed as follows: the proposed amendment will repeal a subparagraph regarding the treatment of costs before July 1, 2007 that is no longer necessary to administer the oil and gas production tax program.

(6) **15 AAC 55.171. Prevailing value for oil**, is proposed to be changed as follows: the proposed amendment will update references to online reporting services.

(7) **15 AAC 55.173. Prevailing value for gas,** is proposed to be changed as follows: the proposed amendment will clarify the term 'regulated utilities' and repeal a subsection no longer necessary to administer the tax program related to the prevailing value for gas for the July-September 2008 calendar quarter.

(8) **15 AAC 55.180. Choice of methods for determining reasonable cost of transportation for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(9) **15 AAC 55.191. Calculation of reasonable costs of transportation for oil or gas produced before July 1, 2007**, is proposed to be changed as follows: the proposed amendments will remove references to certain regulations that are no longer necessary to administer the oil and gas production tax program.

(10) **15 AAC 55.193. Calculation of costs of transportation for oil and gas produced after June 30, 2007**, is proposed to be changed as follows: the proposed amendment will update the reference to a certain price reporting service.

(11) **15 AAC 55.195. Return on investment or cost of capital allowance to be used in calculation of costs of transportation for oil or gas, other than certain LNG or vessel transportation costs for oil or gas produced on or after January 1, 2003**, is proposed to be changed as follows: the proposed amendments will update the reference document to be used in calculations pertaining to the section.

(12) **15 AAC 55.205. Calculation of production tax values for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(13) **15 AAC 55.206. Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be changed as follows: the proposed amendment will implement the statutory requirement that a reduction in the gross value at the point of production must be added back to the production tax value prior to the determination of the amount of a carried-forward annual loss.

(14) **15 AAC 55.208. Calculation of adjusted lease expenditures and production tax value for a municipal entity**, is proposed to be added as a new section to clarify the calculation of production tax value when a municipal entity is involved in oil and gas production sells oil or gas to another party.

(15) **15 AAC 55. 211. Gross value reductions**, is proposed to be changed as follows: the proposed amendment will affect the use of the gross value reduction when determining the amount of an annual carried-forward loss for purposes of AS 43.55.023(b) by amending an existing subsection and adding a new subsection.

(16) **15 AAC 55.212. Procedures relating to gross value reductions**, is proposed to be changed as follows: the proposed amendments will recognize the time

limitations on gross value reductions imposed by HB 247 and as implemented by proposed 15 AAC 55.214.

(17) **15 AAC 55.214. Duration of gross value reductions**, is proposed to be added as a new section to implement the time limitations placed on gross value reductions in HB 247.

(18) **15 AAC 55.223. Cook Inlet lease expenditures incurred before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(19) **15 AAC 55.224. 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 changed as follows: the proposed amendments will add new subsections to recognize the treatment of certain tax ceilings as amended by statute and make a conforming change to an existing subsection.

(20) **15 AAC 55.275. Exclusions from lease expenditures**, is proposed to be changed as follows: the proposed amendments will make conforming changes for regulations that are proposed to be repealed.

(21) **15 AAC 55.280. Adjustments to lease expenditures**, is proposed to be changed as follows: the proposed amendments will make conforming changes for regulations that are proposed to be repealed.

(22) **15 AAC 55.315. Carried-forward annual loss credits**, is proposed to be changed as follows: proposed amendments will add new subsections to clarify the treatment of the gross value reduction in determining the amount of an annual loss that may be carried forward into future periods.

(23) **15 AAC 55.320. Transferable tax credit certificates**, is proposed to be changed as follows: the proposed amendments will add new subsections requiring the taxpayer to disclose to the department certain information about outstanding liabilities related to the applicant for purchase of a tax credit certificate.

(24) **15 AAC 55.325. Cash purchases of tax credit certificates**, is proposed to be changed as follows: the existing regulation will be repealed and readopted as a new section under Article 5 of 15 AAC 55.

(25) **15 AAC 55.330. Transitional investment expenditure credits**, is proposed to be repealed. The intended effect of this repeal is to conform to the related statutory provision, which is no longer in effect.

(26) **15 AAC 55.335. Additional nontransferable credits**, is proposed to be changed as follows: the proposed amendments clarify the amount of an available credit when a producer does not have production of oil or gas for the entire calendar year, and, the treatment of oil produced after January 1, 2017 that does not receive a reduction in the gross value at the point of production under AS 43.55.160(f) or (g).

(27) **15 AAC 55.337. Tax credits for a municipality**, is proposed to be changed as follows: the proposed amendment will add a new section relating to the amount of tax credits for which a municipal entity may be eligible.

(28) **15 AAC 55.340. Cook Inlet credit provisions before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(29) **15 AAC 55.345. Procedures for applying for certain tax credits**, is proposed to be changed as follows: the proposed amendments add new subsections that identify additional information that will be required from applicants of purchases of tax credit certificates, remove references to repealed statutory authority and regulations proposed for repeal, and repeal other subsections that are no longer necessary to administer the oil and gas production tax program.

(30) **15 AAC 55.350. Alternative tax credit for exploration expenditures for work performed after June 30, 2003, and before July 1, 2008**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(31) **15 AAC 55.351. Alternative tax credit for exploration expenditures for work performed after June 30, 2008, and for certain seismic exploration work performed before July 1, 2003**, is proposed to be changed as follows: the proposed amendments will clarify the time periods for which certain exploration expenditures may qualify for credit.

(32) **15 AAC 55.355. Alternative oil and gas exploration tax credit claim for expenditures for work performed after June 30, 2003, and before July 1, 2008**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(33) **15 AAC 55.356. Alternative oil and gas exploration tax credit claim for expenditures for work performed after June 30, 2008, and for certain seismic exploration work performed before July 1, 2003**, is proposed to be changed as follows: the proposed amendments will clarify dates for which certain qualifying expenditures may be eligible for credit.

(34) **15 AAC 55.360. Qualified exploration expenditures**, is proposed to be changed as follows: the proposed amendments will clarify dates for which certain qualifying expenditures may be eligible for credit.

(35) **15 AAC 55.370. Applying production tax credit certificates against production tax liability**, is proposed to be changed as follows: the proposed amendments pertain to conforming changes related to other regulations that are proposed for repeal.

(36) **15 AAC 55.375. Order of applying tax credits**, is proposed to be changed as follows: the proposed amendments make conforming changes for statutes that are no longer in effect.

(37) **15 AAC 55.380. Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(38) **15 AAC 55.410. Tax on production tax value of oil and gas**, is proposed to be changed as follows: the proposed amendments will repeal a subsection no longer necessary to administer the oil and gas production tax program and clarify that oil and gas will no longer have a single production tax value after January 1, 2022.

(39) **15 AAC 55.420. Minimum tax for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(40) **15 AAC 55.430. Tax based on price index for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(41) **15 AAC 55.440. Tax limitations for Cook Inlet and for gas used in the state,** is proposed to be changed as follows: the proposed amendments make conforming changes to recognize that the former tax rate for oil in the Cook Inlet sedimentary basin was zero percent.

(42) **15 AAC 55.510. Installment payments of estimated tax for oil and gas produced before July 1, 2007**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(43) **15 AAC 55. 511. Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be changed as follows: the proposed amendments recognize that if the gross value at the point of production is to be reduced in the annual calculation of production tax value, than the gross value reduction shall also be incorporated into the monthly estimated installment payment by the taxpayer, and other conforming changes

(44) **15 AAC 55.520. Monthly filings,** is proposed to be changed as follows: the proposed amendments to remove references to provisions of statute which are repealed effective January 1, 2018.

(45) **15 AAC 55.525. Cash purchases of tax credit certificates**, is proposed as a new section for Article 5, Payments and Reporting. It readopts the former 15 AAC

55.325 and adds new subsections to clarify the treatment of the credit repurchase limit in AS 43.55.028(g) and the resident worker preference.

(46) **15 AAC 55.800. Retroactive application of regulations**, is proposed to be changed as follows: the proposed amendments make conforming changes for certain regulations that have been repealed or are proposed for repeal, and add new subsections to address retroactivity of proposed amendments to certain existing regulations.

(47) **15 AAC 55.805. Rules for 2007 mid-year statutory changes**, is proposed to be repealed. The intended effect of this repeal is to streamline the existing regulations by repealing this regulation, which is no longer necessary to administer the oil and gas production tax program.

(48) **15 AAC 55.900. Definitions**, is proposed to be changed as follows: the proposed amendments make conforming changes and add new definitions for certain statutory provisions.

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 4:30 p.m., on Monday, October 24, 2016.**

Oral or written comments also may be submitted at a hearing to be held Wednesday, October 19, 2016, 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 12:00 p.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#.

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 (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 johnlarsen@alaska.gov or (907) 269-8436 no later than Friday, October 14, 2016 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 and the Tax Division website, and by contacting John Larsen at (907) 269-8436 or john.larsen@alaska.gov.

After the public comment period ends on Monday, October 24, 2016, 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; AS 43.55.160.
Statutes Being Implemented, Interpreted, or Made Specific: AS 40.25.100; AS 43.05.225; AS 43.05.230; AS 43.20.046; AS 43.20.047; AS 43.20.053; AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.028; AS 43.55.029; AS 43.55.030; AS 43.55.060; AS 43.55.150; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.890; AS 43.55.895; AS 43.55.900.

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

DATE: September 21, 2016
Anchorage, Alaska

/s/ Ken Alper
Ken Alper
Director, Tax Division
(907) 269-6620

ADDITIONAL REGULATIONS NOTICE INFORMATION
[AS 44.62.190(d)]

1. Adopting Agency: Department of Revenue, Tax Division

2. General subject of regulation: Administration of Revenue Laws: disclosure of tax credit certificates purchased, interest; Alaska Oil and Gas Production Tax and Oil Surcharge: calculation of production tax value, gross value at the point of production, production tax value for municipal entities; gross value reductions, lease expenditures, carried-forward loss credits, transferable tax credit certificates, cash purchases of tax credit certificates, non-transferable credits, credits for a municipality, tax ceilings, installment payments, monthly filings, definitions.

3. Citation of regulations: 15 AAC 05 sections to be amended or added: 250, 255, 330, 15 AAC 55 sections to be amended or added: 141, 151, 171, 173, 180, 191, 193, 195, 205, 206, 208, 211, 212, 214, 223, 224, 275, 280, 315, 320, 325, 330, 335, 337, 340, 345, 350, 351, 355, 356, 360, 370, 375, 380, 410, 430, 440, 510, 511, 520, 525, 800, 805, 900.

4. Department of Law file number: JU2016200654

5. 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
   - ( ) other: (please list)

6. Appropriation/Allocation: Tax Division, Revenue Operations

7. Estimated annual cost to comply with the proposed action to:

A private person: *

Another state agency: $0. The department does not expect additional costs to any other state agency.

A municipality: *

'*' The department is not able to make a numeric estimate based on information available to it. However, the department does not expect that any private person or municipality would incur additional costs beyond re-programming of computer systems that may be necessary to comply with the proposed regulations.

8. Cost of implementation to the state agency and available funding (in thousands of dollars): No costs are expected in FY 2017 or subsequent years.

	Initial Year FY 2017	Subsequent Years
Operating Cost	$ 0	$ 0
Capital Cost	$ 0	$ 0
1002 Federal receipts	$ 0	$ 0
1003 General fund match	$ 0	$ 0
1004 General fund	$ 0	$ 0
1005 General fund/ Program	$ 0	$ 0
1037 General fund/ mental health	$ 0	$ 0
Other	$ 0	$ 0

9. 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

10. The origin of the proposed action:

__x___ staff of state agency
______ Federal government
______ General public
______ petition for regulation change
______ other (please list)

11. Date: September 21, 2016

Prepared by: /s/ John M. Larsen
John M. Larsen
Audit Master, Tax Division
(907) 269-8436

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

BRIEF DESCRIPTION: The Department of Revenue proposes to change regulations affecting the oil and gas production tax to implement ch. 4, 4 SSLA 2016 (HB 247). 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, cash purchases of tax credit certificates, tax credits for municipalities, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax. The Department of Revenue further proposes to repeal regulations that are no longer necessary to implement the production tax program. The Department of Revenue's proposed changes are set out in more detail in the notice of proposed regulations dated September 21, 2016.

This is a SUPPLEMENTAL NOTICE adding to the SUPPLENTAL NOTICE issued October 17, 2016 and the NOTICE OF PROPOSED CHANGES that was issued on September 21, 2016, (Department of Law file number JU2016200654). This SUPPLEMENTAL NOTICE is being issued to provide additional opportunity for members of the public and other interested parties that were not able to dial-in to the October 19, 2016 public hearing. The correct dial-in information for the public hearing scheduled for Tuesday, October 25, 2016 is as follows: toll-free conference call number, 1-800-315-6338. When asked for the participant PIN code, enter 40720#.

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 4:30 p.m., on Friday, October 28, 2016.**

Oral or written comments also may be submitted at a hearing to be held Tuesday, October 25, 2016, in Suite 670 of the Atwood Building located at 550 W. 7th Avenue, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 10:30 a.m. and may be extended to accommodate those present before 9:30 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 40720#.

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 4:30 p.m., Monday, October 24, 2016 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 and the Tax Division website, and by contacting John Larsen at (907) 269-8436 or john.larsen@alaska.gov.

After the public comment period ends on Friday, October 28, 2016, 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; AS 43.55.160.

Statutes Being Implemented, Interpreted, or Made Specific: AS 40.25.100; AS 43.05.225; AS 43.05.230; AS 43.20.046; AS 43.20.047; AS 43.20.053; AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.028; AS 43.55.029; AS 43.55.030; AS 43.55.060; AS 43.55.150; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.890; AS 43.55.895; AS 43.55.900.

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

DATE: October 20, 2016
Anchorage, Alaska

/s/ Ken Alper
Ken Alper
Director, Tax Division
(907) 269-6620

AFFIDAVIT OF NOTICE OF PROPOSED REGULATION
AND FURNISHING OF ADDITIONAL INFORMATION

I, John M. Larsen, Audit Master, Department of Revenue, being sworn, state the following:

As required by AS 44.62.190, notice of the proposed adoption of changes to Chapters 05 and 55 of the Alaska Administrative Code; 15 AAC 05.250: Use of confidential information in enforcement proceedings; 15 AAC 05.255: dealing with disclosure of tax credit certificates purchased in 2016; 15 AAC 05.330: dealing with interest for a delinquent tax; 15 AAC 55.141: dealing with the methodology for calculating certain gas processing cost deduction; 15 AAC 55.171: dealing with the prevailing value for oil; 15 AAC 55.191: dealing with the reasonable costs of transportation; 15 AAC 55.193: dealing with calculation of costs of transportation for oil and gas produced after June 30, 2007; 15 AAC 55.195: dealing with return on investment in the calculation of costs of transportation; 15 AAC 55.206: dealing with calculation of production tax values; 15 AAC 55.208: dealing with the calculation of adjusted lease expenditures and production tax value for a municipality; 15 AAC 55.211: dealing with gross value reductions; 15 AAC 55.212: dealing with procedures relating to gross value reductions; 15 AAC 55.214: dealing with the duration of gross value reductions; 15 AAC 55.224: dealing with lease expenditures incurred after June 30, 2007; 15 AAC 55.315: dealing with carried-forward annual loss credits; 15 AAC 55.320: dealing with transferable tax credit certificates; 15 AAC 55.325: dealing with cash purchases of tax credit certificates; 15 AAC 55.335: dealing with additional non-transferable credits; 15 AAC 55.337: dealing with tax credits for a municipality; 15 AAC 55.345: dealing with procedures for applying certain tax credits; 15 AAC 55.351: dealing with alternative tax credits for exploration expenditures; 15 AAC 55.356: dealing with alternative oil and gas exploration tax credit claims; 15 AAC 55.360: dealing with qualified exploration expenditures; 15 AAC 55.375: dealing with the order of applying tax credits; 15 AAC 55.410: dealing with tax on production tax value of oil and gas; 15 AAC 55.440: dealing with tax limitations for Cook Inlet and for gas used in the state; 15 AAC 55.511: dealing with installment payments of estimated tax; 15 AAC 55.525: dealing with cash purchases of tax credit certificates; 15 AAC 55.800: dealing with the retroactive application of regulations; and 15 AAC 55.900: dealing with definitions has been given by being:

(1) published in a newspaper or trade publication;
(2) furnished to interested persons;
(3) furnished to appropriate state officials;
(4) furnished to the Department of Law, along with a copy of the proposed regulations;
(5) furnished electronically to incumbent State of Alaska legislators;
(6) furnished electronically to the Legislative Affairs Agency, Division of Legal and Research Services;
(7) posted on the Alaska Online Public Notice System as required by AS 44.62.175(a)(1) and (b) and 44.62.190(a)(1);
(8) furnished electronically, along with a copy of the proposed regulations, to the Legislative Affairs Agency, the chairs of the Finance Committee of the Alaska

Senate and House of Representatives, the Administrative Regulation Review Committee, and the legislative council.

As required by AS 44.62.190(d), additional regulations notice information regarding the proposed adoption of the regulation changes described above has been furnished to interested persons and those in (5) and (6) of the list above. The additional regulations notice information also has been posted on the Alaska Online Public Notice System.

DATE: Nov. 25, 2016
Anchorage, Alaska

John M. Larsen
Audit Master
Department of Revenue

SUBSCRIBED AND SWORN TO before me at Anchorage, Alaska
on November 25, 2016.

STATE OF ALASKA
NOTARY PUBLIC
RONA HURST
My Commission Expires With Office.

Notary Public in and for the State of Alaska

AFFIDAVIT OF ORAL HEARING

I, John M. Larsen, Audit Master of The Department of Revenue, being sworn, state the following:

On Wednesday, October 19, 2016, at 9:00 a.m., in the East Hearing Conference Room of the Regulatory Commission of Alaska, at 701 W. 8th Avenue, Suite 300, Anchorage, Alaska, and on Tuesday, October 25, 2016, at 9:00 a.m., in Room 1620 of the Atwood Building, located at 550 W. 7th Ave., Anchorage, Alaska, I presided over public hearings held under AS 44.62.210 for the purpose of taking testimony in connection with the adoption of changes to Chapters 05 and 55 of the Alaska Administrative Code; 15 AAC 05.250: Use of confidential information in enforcement proceedings; 15 AAC 05.255: dealing with disclosure of tax credit certificates purchased in 2016; 15 AAC 05.330: dealing with interest for a delinquent tax; 15 AAC 55.141: dealing with the methodology for calculating certain gas processing cost deduction; 15 AAC 55.171: dealing with the prevailing value for oil; 15 AAC 55.191: dealing with the reasonable costs of transportation; 15 AAC 55.193: dealing with calculation of costs of transportation for oil and gas produced after June 30, 2007; 15 AAC 55.195: dealing with return on investment in the calculation of costs of transportation; 15 AAC 55.206: dealing with calculation of production tax values; 15 AAC 55.208: dealing with the calculation of adjusted lease expenditures and production tax value for a municipality; 15 AAC 55.211: dealing with gross value reductions; 15 AAC 55.212: dealing with procedures relating to gross value reductions; 15 AAC 55.214: dealing with the duration of gross value reductions; 15 AAC 55.224: dealing with lease expenditures incurred after June 30, 2007; 15 AAC 55.315: dealing with carried-forward annual loss credits; 15 AAC 55.320: dealing with transferable tax credit certificates; 15 AAC 55.325: dealing with cash purchases of tax credit certificates; 15 AAC 55.335: dealing with additional non-transferable credits; 15 AAC 55.337: dealing with tax credits for a municipality; 15 AAC 55.345: dealing with procedures for applying certain tax credits; 15 AAC 55.351: dealing with alternative tax credits for exploration expenditures; 15 AAC 55.356: dealing with alternative oil and gas exploration tax credit claims; 15 AAC 55.360: dealing with qualified exploration expenditures; 15 AAC 55.375: dealing with the order of applying tax credits; 15 AAC 55.410: dealing with tax on production tax value of oil and gas; 15 AAC 55.440: dealing with tax limitations for Cook Inlet and for gas used in the state; 15 AAC 55.511: dealing with installment payments of estimated tax; 15 AAC 55.525: dealing with cash purchases of tax credit certificates; 15 AAC 55.800: dealing with the retroactive application of regulations; and 15 AAC 55.900: dealing with definitions.

Date: Nov. 25, 2016

John M Larsen

John M. Larsen, Audit Master

Subscribed and sworn to before me at Anchorage, Alaska.

on November 25 2016.
(date)

STATE OF ALASKA
NOTARY PUBLIC
RONA HURST
My Commission Expires With Office.

Rona Hurst

Notary Public in and for the State of Alaska

AFFIDAVIT OF AGENCY RECORD OF PUBLIC COMMENT

I, John Larsen, Audit Master for the Department of Revenue, being duly sworn, state the following:

In compliance with AS 44.62.215, the Department of Revenue has kept a record of its use or rejection of factual or other substantive information that was submitted in writing and orally as public comment and that was relevant to the accuracy, coverage, or other aspect of the Department of Revenue's regulations on proposed changes to Title 15, Chapter 05, Administration of Revenue Laws and Chapter 55, Oil and Gas Production Tax and Oil Surcharge.

Date: Nov 25, 2016

John M Larsen

John M. Larsen, Audit Master

Subscribed and sworn to before me at Anchorage, Alaska on November 25, 2016.
(date)

STATE OF ALASKA
NOTARY PUBLIC
RONA HURST
My Commission Expires With Office.

Rona Hurst

Notary Public in and for the State of Alaska

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RECEIVED
OCT 07 2016
Tax Division
Department of Revenue
Anchorage, Alaska

AFFIDAVIT OF PUBLICATION

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

Emma Dunlap
being first duly sworn on oath deposes and says that he/she is a representative of the Alaska Dispatch News, a daily newspaper. That said newspaper has been approved by the Third Judicial Court, Anchorage, Alaska, and it now and has been published in the English language continually as a daily newspaper in Anchorage, Alaska, and it is now and during all said time was printed in an office maintained at the aforesaid place of publication of said newspaper. That the annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on

September 22, 2016

and that such newspaper was regularly distributed to its subscribers during all of said period. That the full amount of the fee charged for the foregoing publication is not in excess of the rate charged private individuals.

Signed Emma Dunlap

Subscribed and sworn to before me this 22nd day of September, 2016

Britney Thompson

Notary Public in and for
The State of Alaska.
Third Division
Anchorage, Alaska
MY COMMISSION EXPIRES

2/23/2019

Notary Public
BRITNEY L. THOMPSON
State of Alaska
My Commission Expires Feb 23, 2019

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

BRIEF DESCRIPTION: The Department of Revenue proposes to change regulations affecting the oil and gas production tax to implement ch. 4, 4 SSLA 2016 (HB 247). 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, cash purchases of tax credit certificates, tax credits for municipalities, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax. The Department of Revenue further proposes to repeal regulations that are no longer necessary to implement the production tax program.

The Department of Revenue proposes to adopt regulation changes in Title 15, Chapters 05 and 55 of the Alaska Administrative Code, dealing with the administration of revenues and the oil and gas production tax, including the following:

(1) 15 AAC 05.250. Use of confidential information in enforcement proceedings, is proposed to be changed as follows: the proposed amendment will change the time period that currently limits disclosure of confidential information.
(2) 15 AAC 05.255. Disclosure of a tax credit certificate purchased in 2016, is proposed to be added as a new section to implement the statutory requirement that the names of recipients of cash purchases of tax credit certificates for the period January 1, 2016 through December 31, 2016 will be made public by April 30, 2017.
(3) 15 AAC 05.330. Assessment and collection, is proposed to be changed as follows: the proposed amendments add a new subsection to implement statutory changes regarding the compounding of interest

Oral or written comments also may be submitted at a hearing to be held Wednesday, October 19, 2016, 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 12:00 p.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#.

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 (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 johnlarsen@alaska.gov or (907) 269-8436 no later than Friday, October 14, 2016 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 and the Tax Division website, and by contacting John Larsen at (907) 269-8436 or john.larsen@alaska.gov.

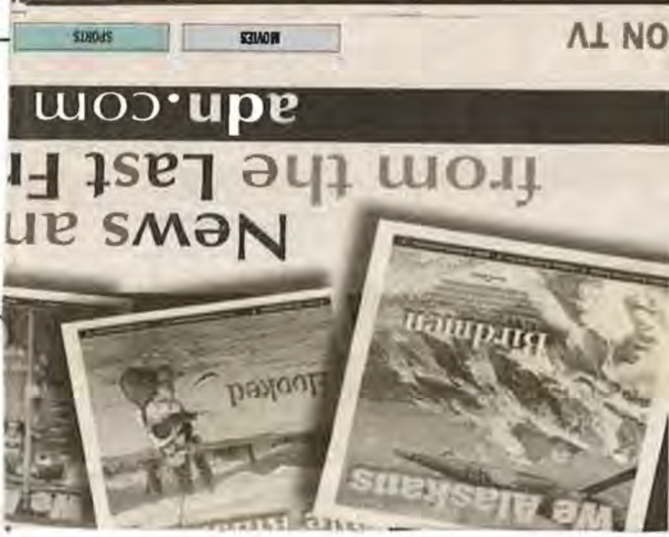
After the public comment period ends on Monday, October 24, 2016, the Department of Revenue will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different 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; AS 43.55.160.
Statutes Being Implemented, Interpreted, or Made Specific: AS 40.25.100; AS 43.05.225; AS 43.05.230; AS 43.20.046; AS 43.20.047; AS 43.20.053; AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.028; AS 43.55.029; AS 43.55.030; AS 43.55.060; AS 43.55.150; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.890; AS 43.55.895; AS 43.55.900.
Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

DATE: September 21, 2016
Anchorage, Alaska

/s/ Ken Alper
Ken Alper
Director, Tax Division
(907) 269-6620

Published: September 22, 2016



Can you please recommend a clever way to respond to these patronizing comments?

A. Gentle Reader: "Oh, thank you" (regardless of the intended nature of the comment); "I'm rather proud of my accent and heritage. Now tell me about your accent and heritage."

Q. Dear Miss Manners: I was at a live theater performance last night, when I heard the voice of a young child asking

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Tax Division
Department of Revenue
Anchorage, Alaska

AFFIDAVIT OF PUBLICATION

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

Emma Dunlap
being first duly sworn on oath deposes and says that he/she is a representative of the Alaska Dispatch News, a daily newspaper. That said newspaper has been approved by the Third Judicial Court, Anchorage, Alaska, and it now and has been published in the English language continually as a daily newspaper in Anchorage, Alaska, and it is now and during all said time was printed in an office maintained at the aforesaid place of publication of said newspaper. That the annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on

October 21, 2016

and that such newspaper was regularly distributed to its subscribers during all of said period. That the full amount of the fee charged for the foregoing publication is not in excess of the rate charged private individuals.

Signed Emma Dunlap

Subscribed and sworn to before me this 21st day of October, 2016

Britney Thompson

Notary Public in and for
The State of Alaska.
Third Division
Anchorage, Alaska
MY COMMISSION EXPIRES

2/23/2019

Notary Public
BRITNEY THOMPSON
State of Alaska
My Commission Expires Feb 23, 2019

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

BRIEF DESCRIPTION: The Department of Revenue proposes to change regulations affecting the oil and gas production tax to implement ch. 4, 4 SSLA 2016 (HB 247). 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, cash purchases of tax credit certificates, tax credits for municipalities, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax. The Department of Revenue further proposes to repeal regulations that are no longer necessary to implement the production tax program. The Department of Revenue's proposed changes are set out in more detail in the notice of proposed regulations dated September 21, 2016.

This is a SUPPLEMENTAL NOTICE adding to the SUPPLENTAL NOTICE issued October 17, 2016 and the NOTICE OF PROPOSED CHANGES that was issued on September 21, 2016, (Department of Law file number JU2016200654). This SUPPLEMENTAL NOTICE is being issued to provide additional opportunity for members of the public and other interested parties that were not able to dial-in to the October 19, 2016 public hearing. The correct dial-in information for the public hearing scheduled for Tuesday, October 25, 2016 is as follows: toll-free conference call number, 1-800-315-6338. When asked for the participant PIN code, enter 40720#.

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 4:30 p.m., on Friday, October 28, 2016.**

Oral or written comments also may be submitted at a hearing to be held Tuesday, October 25, 2016, in Suite 670 of the Atwood Building located at 550 W. 7th Avenue, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 10:30 a.m. and may be extended to accommodate those present before 9:30 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 40720#.

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 4:30 p.m., Monday, October 24, 2016 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 and the Tax Division website, and by contacting John Larsen at (907) 269-8436 or john.larsen@alaska.gov.

After the public comment period ends on Friday, October 28, 2016, 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; AS 43.55.160.

Statutes Being Implemented, Interpreted, or Made Specific: AS 40.25.100; AS 43.05.225; AS 43.05.230; AS 43.20.046; AS 43.20.047; AS 43.20.053; AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.028; AS 43.55.029; AS 43.55.030; AS 43.55.060; AS 43.55.150; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.890; AS 43.55.895; AS 43.55.900.

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

DATE: October 20, 2016
Anchorage, Alaska

/s/ Ken Alper
Ken Alper
Director, Tax Division
(907) 269-6620

Published: October 21, 2016

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$393.44

AFFIDAVIT OF PUBLICATION

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

Emma Dunlap
being first duly sworn on oath deposes and says that he/she is a representative of the Alaska Dispatch News, a daily newspaper. That said newspaper has been approved by the Third Judicial Court, Anchorage, Alaska, and it now and has been published in the English language continually as a daily newspaper in Anchorage, Alaska, and it is now and during all said time was printed in an office maintained at the aforesaid place of publication of said newspaper. That the annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on

September 22, 2016

and that such newspaper was regularly distributed to its subscribers during all of said period. That the full amount of the fee charged for the foregoing publication is not in excess of the rate charged private individuals.

Signed Emma Dunlap

Subscribed and sworn to before me this 22nd day of September, 2016

Britney Thompson

Notary Public in and for
The State of Alaska.
Third Division
Anchorage, Alaska
MY COMMISSION EXPIRES

2/23/2019

Notary Public
BRITNEY L. THOMPSON
State of Alaska
My Commission Expires Feb 23, 2019

ADDITIONAL REGULATIONS NOTICE INFORMATION
[AS 44.62.190(d)]

1. Adopting Agency: Department of Revenue, Tax Division

2. General subject of regulation: Administration of Revenue Laws: disclosure of tax credit certificates purchased, interest; Alaska Oil and Gas Production Tax and Oil Surcharge: calculation of production tax value, gross value at the point of production, production tax value for municipal entities; gross value reductions, lease expenditures, carried-forward loss credits, transferable tax credit certificates, cash purchases of tax credit certificates, non-transferable credits, credits for a municipality, tax ceilings, installment payments, monthly filings, definitions.

3. Citation of regulations: 15 AAC 05 sections to be amended or added: 141, 151, 250, 255, 330, 15 AAC 55 sections to be amended or added: 171, 173, 180, 191, 193, 195, 205, 206, 208, 211, 212, 214, 223, 224, 275, 280, 315, 320, 325, 330, 335, 337, 340, 345, 350, 351, 355, 356, 360, 370, 375, 380, 410, 430, 440, 510, 511, 520, 525, 800, 805, 900.

4. Department of Law file number: JU2016200654

5. 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
( ) other: (please list)

6. Appropriation/Allocation: Tax Division, Revenue Operations

7. Estimated annual cost to comply with the proposed action to:

A private person: *
Another state agency: Zero. The department does not expect additional costs to any other state agency.
A municipality: *
'*' The department is not able to make a numeric estimate based on information available to it. However, the department does not expect that any private person or municipality would incur additional costs beyond re-programming of computer systems that may be necessary to comply with the proposed regulations.

8. Cost of implementation to the state agency and available funding (in thousands of dollars): No costs are expected in FY 2017 or subsequent years.

	Initial Year FY 2017	Subsequent Years
Operating Cost	$__0__	$__0__
Capital Cost	$__0__	$__0__
1002 Federal receipts	$__0__	$__0__
1003 General fund match	$__0__	$__0__
1004 General fund	$__0__	$__0__
1005 General fund/ Program	$__0__	$__0__
1037 General fund/ mental health	$__0__	$__0__
Other	$__0__	$__0__

9. 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

10. The origin of the proposed action:
_x_ staff of state agency
___ Federal government
___ General public
___ petition for regulation change
___ other (please list)

4. Date: September 21, 2016

Prepared by: /s/ John M. Larsen
John M. Larsen
Audit Master, Tax Division
(907) 269-8436

Published: September 22, 2016