

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. 3, SSSLA 2017 (HB 111). The regulations relate to interest for delinquent taxes and overpayments, limitations on purchases of certain tax credit certificates, conditional tax credit certificates, changes in the applicability of tax credits, incorporation of transitional language to implement certain statutes, and conforming and clarifying changes affecting the oil and gas production tax.

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 05.330. Assessment and collection**, is proposed to be changed as follows: the proposed amendments implement statutory changes regarding the compounding of interest and the periods to which that compounding applies. Conforming amendments to this section are also proposed.
- (2) **15 AAC 05.340. Retroactive application of regulations**, is proposed to be changed as follows: the changes clarify retroactivity periods.
- (3) **15 AAC 55.305. Application of tax credits**, is proposed to be changed as follows: the proposed amendment adds a new subsection to clarify the applicability of a tax credit or tax credit certificate under AS 43.55.023 or 43.55.025 against a tax liability under AS 43.55.011(e), including associated interest, in an amended return filed by the taxpayer.
- (4) **15 AAC 55.315. Carried-forward annual loss credits**, is proposed to be changed as follows: the proposed amendments conform to the changes to the applicability of a carried-forward annual loss credit under AS 43.55.023(b).
- (5) **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, and 15 AAC 55.360. Qualified exploration expenditures**, are proposed to be changed as follows: the proposed amendments make changes to conform to AS 43.55.025.
- (6) **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 provide for conditional tax credit certificates for certain expenditures that may be eligible, but have not yet received a production tax credit certificate and other changes to conform to AS 43.55.025.
- (7) **15 AAC 55.365. Transfer of a transferable tax credit certificate or production tax credit certificate**, is proposed to be changed as follows: the proposed amendment adds a new subsection to allow for the assignment of a carried-forward annual loss credit earned in 2017.

- (8) **15 AAC 55.370. Applying production tax credit certificates against production tax liability**, is proposed to be changed as follows: the proposed amendments conform to the changes to the applicability of certain tax credits and tax credit certificates, and allow a production tax credit certificate earned for certain exploration expenditures under AS 43.55.025 to be applied against a tax levied under AS 43.20.011(e).
- (9) **15 AAC 55.525. Cash purchases of tax credit certificates**, is proposed to be changed as follows: the proposed amendments, including new subsections, are intended to implement the limitations on purchases by the department; the transition language related to certain tax credit certificates issued under AS 43.55.023; and other conforming changes.
- (10) **15 AAC 55.800. Retroactive application of regulations**, is proposed to be changed as follows: the proposed amendments address retroactivity periods for proposed and existing regulations.

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](mailto:john.larsen@alaska.gov), or by facsimile at (907) 269-6644. **Written comments must be received no later than 4:00 p.m., on Wednesday, November 1, 2017.**

**Oral or written comments also may be submitted at a hearing to be held Tuesday, October 17, 2017**, in the East Hearing Room of the Regulatory Commission of Alaska located at 701 W. 8<sup>th</sup> 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 40720#.

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

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact John Larsen at [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov) or (907) 269-8436 no later than Friday, October 13, 2017 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](mailto:john.larsen@alaska.gov).

**After the public comment period ends on Wednesday, November 1, 2017**, the Department of Revenue will either adopt the proposed regulation changes or other provisions dealing with the

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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. As some of the statutes that are the subject of these proposed regulations have an effective date of January 1, 2018 it is the aim of the Department to have the regulations in effect on January 1, 2018, as well. However, if the regulations are not in effect at that time the Department will include regulatory provisions to specify that certain regulations are to be retroactive to January 1, 2018. **You should comment during the time allowed if your interests could be affected.** Written comments received are public records and are subject to public inspection.

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

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 43.05.225; AS 43.20.044; AS 43.55.023; AS 43.55.025; AS 43.55.028; AS 43.55.029; ch. 3, SSSLA 2017.

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

DATE: September 27, 2017  
Anchorage, Alaska

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