

PUBLIC NOTICE OF
PROPOSED CHANGES ON THE ADMINISTRATION OF REVENUE LAWS AND
THE OIL & GAS PRODUCTION TAX IN THE REGULATIONS
OF THE DEPARTMENT OF REVENUE

BRIEF DESCRIPTION: The Department of Revenue proposes to change existing regulations pertaining to the Administration of Revenue Laws under AS 43.05 regarding the use of confidential information; and the Oil and Gas Production Tax and Oil Surcharge under 15 AAC 55 regarding products of a crude oil topping plant that are used in lease operations, prevailing value, the transportation of oil or gas by truck or railcar, direct charges, monthly information reports, and conforming and clarifying changes related to the oil and gas production tax and definitions, including the following:

- (1) **15 AAC 05.250(a). Use of confidential information in enforcement proceedings**, is proposed to be amended to allow the sharing of operator information, subject to approval and confidentiality as described in the proposed change, during an audit;
- (2) **15 AAC 05.255. Disclosure of tax credit certificates purchased in 2016**, is proposed to be repealed;
- (3) **15 AAC 05.340(1). Retroactive application of regulations**, is proposed to be repealed;
- (4) **15 AAC 55.021(a). Days of well operation**, is proposed to be repealed;
- (5) **15 AAC 55.151(e). Gross value of oil or gas at the point of production**, is proposed to be amended to clarify that oil run through a field topping unit and the resulting product is used in lease operations that portion of the crude oil stream that is not capable of being returned to a point upstream of the point of production will not be considered as oil produced;
- (6) **15 AAC 55.151(f). Gross value of oil or gas at the point of production**, a conforming amendment is proposed to recognize the changes proposed in 15 AAC 55.151(e);
- (7) **15 AAC 55.163(a). Valuation of oil run through a North Slope field topping plant**, is proposed to be amended to make a conforming change to make the language consistent with that of 15 AAC 55.151(e);
- (8) **15 AAC 55.171(k). Prevailing value for oil**, a conforming amendment is proposed to recognize a previous repeal of subsections (i) and (j);
- (9) **15 AAC 55.171(m). Prevailing value for oil**, is proposed to be amended by changing the reporting services used to determine the prevailing value for Alaska North Slope oil;
- (10) **15 AAC 55.171(o). Prevailing value for oil**, a new subsection is proposed to be added to clarify the meaning of "applicable publicly filed pipeline tariff";
- (11) **15 AAC 55.173(p) – Prevailing value for gas**, is proposed to be amended by adding a new paragraph clarifying that entities that are exempt from rate regulation are not included as "regulated utilities" for purposes of determining the prevailing value for gas;
- (12) **15 AAC 55.192(b). Monthly share of annual transportation costs**, is proposed to be repealed as the provisions of AS 43.55.011(g) are no longer applicable;
- (13) **15 AAC 55.193(b). Calculation of costs of transportation for oil and gas produced after June 30, 2007**, new paragraphs and conforming changes are proposed to allow the transportation of oil or gas by truck or trailer that is not effectively owned by the producer of the oil or gas, transportation of oil or gas by truck or trailer that is effectively owned by the producer of the oil or gas, and the transportation of oil or gas by railcar;

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- (14) **15 AAC 55.250(c)(5). Direct charges**, is proposed to be amended to clarify that demobilization costs of a drilling rig or coiled tubing unit "from" a drill site is an allowable lease expenditure in certain circumstances;
- (15) **15 AAC 55.260(a)(6). Direct charges**, is proposed to be amended to clarify that travel costs for contractor labor are allowable to the same extent as for employees of the operator;
- (16) **15 AAC 55.520(f). Monthly filings**, is proposed to be amended to provide exemptions for non-operators and minor working interest owners that do not meet certain minimum thresholds as described in the proposed amendment;
- (17) **15 AAC 55.525(b)(3). Cash purchases of tax credit certificates**, a conforming amendment is proposed to recognize the repeal of 15 AAC 05.250;
- (18) **15 AAC 55.900(a)(12). Definitions**, is proposed to be repealed as the definition is no longer applicable.

You may comment on the proposed regulation changes, including the costs to private persons of complying with the proposed changes, by submitting written comments to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501. Additionally, the Department of Revenue will accept comments by electronic mail to john.larsen@alaska.gov, or by facsimile at (907) 269-6644. **Written comments must be received no later than 4:00 p.m., on Tuesday, January 26, 2021.** If you would like to be added to the department's "Interested Parties" list server to receive email notification of any proposed action you may do so at the following link:

<http://tax.alaska.gov/programs/documentviewer/viewer.aspx?77n>

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

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact John Larsen at john.larsen@alaska.gov or (907) 269-8436 no later than Wednesday, January 20, 2021 to ensure that any necessary accommodations can be provided.

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

After the public comment period ends on Tuesday, January 26, 2021, the Department of Revenue will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different from that of the proposed regulations. **You should comment during the time allowed if your interests could be affected.** Written comments received are public records and are subject to public inspection.

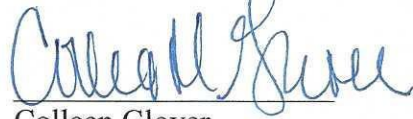
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Statutory Authority: AS 43.05.080; AS 43.55.110.

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

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

DATE: December 23, 2020
Anchorage, Alaska

A handwritten signature in blue ink, appearing to read 'Colleen Glover', is written over a horizontal line.

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