MEMORANDUM

State of Alaska

Department of Revenue
Office of the Commissioner

TO: Rachel Bylsma, Deputy Chief of Staff
Office of the Governor

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DATE: August 28, 2026

FROM: Janelle Earls, Commissioner

SUBJECT: DOR Regulatory Reform Plan

Executive Summary

This memorandum constitutes the Department of Revenue's (DOR/department) Regulatory Reform Plan in response to Administrative Order 360 (AO 360), aimed to reduce unnecessary regulatory burden while meeting the intent of federal and state statutes.

Upon release of AO 360, the Commissioner's Office (OOC) met with division leadership to review and identify regulations within its scope. Divisions were directed to conduct a baseline inventory of regulations, compile associated guidance documents, assess whether each regulation is clearly written and supported by demonstrated need, and evaluate overall effectiveness, redundancy, and impact with the objective of reducing regulatory burden and improving operational efficiency.

The department began this work, steering towards actions that generally:

- Clean up outdated regulations;
- Focus on essential requirements for divisions, thereby streamlining operations; and
- Ensure materials incorporated by reference are current.

Additionally, the department outlined the following goals for each regulatory change:

- Increase clarity and predictability for taxpayers, regulated entities, and the public;
- Preserve due process, appeal rights, confidentiality protections, and fiscal controls;
- Recalibrate, where possible, discretionary authority ensuring DOR regulations do not exceed what state or federal law requires and do not interfere with departmental funding mechanisms; and
- Modernize processes and forms, particularly where technology can reduce administrative burden without weakening statutory standards.

As part of this plan, the Department of Law (LAW) will assist in providing DOR with its baseline regulation count. DOR will backfill baseline counts (discretionary requirements, total regulations, guidance-document inventory, and incorporated-by-reference materials) once final compilation is complete.

Section 1: Baseline Review and Classification

To ensure consistency and defensibility, the department has organized its review using a four-category classification framework:

Category 1 - *Statutorily Required Core Regulat*ions

- Implement explicit statutory mandates.
- Are required for federal compliance.
- Protect due process, confidentiality, fiscal controls, or enforcement authority.

While not the primary reduction targets, these provisions may be clarified, consolidated, or modernized where language is outdated or duplicative. At minimum, they will inform any changes throughout the framework.

Category 2 - *Discretionary Mission-Supportive Regulations*

- Interpret statutory authority.
- Standardize administrative processes.
- Provide compliance structure or enforcement clarity.
- Support consistent application of law across divisions.

These provisions are evaluated for opportunities to streamline, narrow scope, or remove unnecessary conditions where they exceed statutory necessity or create avoidable administrative burden.

Category 3 - *Administrative and Mechanical Requirements*

- Prescribe specific forms, submission formats, or mailing instructions.
- Require duplicative information.
- Contain outdated procedural mechanics.
- Reflect legacy paper-based processes.

These provisions can be modernized or consolidated without affecting statutory obligations.

Category 4 - *Guidance Documents and Incorporated Materials*

- Policies, interpretive bulletins, manuals, and similar guidance materials.
- Materials incorporated by reference into regulation.
- Inventory all guidance documents.
- Determining whether each should be codified, retained as advisory, or retired.
- Review incorporated materials to ensure they are current, necessary, and accessible.

Summary

By organizing its review around source of authority and operational function, DOR endeavors to ensure that:

- Statutory and federally required protections are preserved.
- Discretionary and administrative requirements are carefully evaluated.
- Guidance documents are properly governed.
- Regulatory reductions are durable.

This baseline review provides the structural foundation for DOR's 2026 regulatory reform packages and supports meeting the 15 percent reduction target by December 31, 2026.

Section 2: Stakeholder and Public Engagement

The department solicited written public comment on all departmental regulations November 20 - December 31, 2025, receiving comments pertaining only to the Tax Division. These comments have been organized according to the hierarchy set forth in this plan. No other comments were received regarding regulations administered by the Permanent Fund Dividend (PFD) Division, Child Support Enforcement Division (CSED), or Treasury.

Thematic Stakeholder Input

- Operational feasibility and technical compliance.
- Predictability in valuation.
- Allowable costs.
- Modernization and administrative efficiency.
- Process transparency.

The comments received during the 2025 engagement period primarily addressed valuation clarity, cost allowability, operational feasibility, and procedural transparency within the Tax Division. The department will prioritize review of discretionary and interpretive provisions in these areas while preserving statutory mandates, enforcement authority, and due process protections.

As a result, the department's 2026 reform prioritization will:

- Primarily focus review efforts within the Tax Division.
- Follow the AO 360 directive and conduct structural modernization and administrative streamlining across the other divisions.

The intent of this approach will assist in allowing DOR to effectively respond directly to stakeholder feedback while ensuring consistent regulatory review across other divisions.

Stakeholder Engagement in 2026

Because comments received were concentrated in one regulatory area, DOR will pursue targeted 2026 engagement through:

- Focused outreach to affected stakeholders for Tax Division.
- Targeted outreach for PFD to elicit input concerning barriers and challenges with the program and its application process.
- Internal engagement for CSED and Treasury with limited external listening sessions if warranted and approved by the administration.

Section 3: Division-Specific Regulatory Reform

Below is DOR's structure for 2026 reform packages. Each package is intended to be a coherent set of revisions that can move through LAW review efficiently and be understood by the regulated community.

3.1 Tax Division

The Tax Division aims to reduce administrative burden, while preserving statutory tax administration, accuracy, and enforceability. The division has identified numerous revisions, predominantly related to production and property tax (15 AAC 55 and 15 AAC 56), designed to modernize, clarify, and streamline production and property tax regulations while preserving statutory authority and revenue integrity. The division will eliminate obsolete regulatory text, improve clarity, increase transparency in tax year specific guidance, implement system improvements within Revenue Online (ROL), and prepare foundational infrastructure for subsequent reform phases.

3.2 Treasury

The Treasury Division is working to increase clarity and operational efficiency while preserving fiduciary controls, legal compliance, and prudent financial management. The division received no response to the AO 360 public comment period, however it has identified the following priorities:

- Eliminate obsolete citations under 15 AAC 112.010, which outlines the initial appointment of members to the PERS and TRS boards.
- Eliminate the majority of Article 2. Procurement and adhere to 2 AAC 12 (Department of Administration's Procurement regulations) where appropriate.

3.3 Permanent Fund Dividend Division

The PFD Division is working to improve clarity and reduce unnecessary administrative friction for applicants while preserving eligibility integrity, fraud prevention, and appeal rights. The division has identified the following priority reform categories to achieve its AO 360 objectives:

- Repeal 15 AAC 23.173(e) An individual whose spouse is not a resident eligible for a dividend must provide documentation that demonstrates an intent to remain indefinitely in

Alaska despite the nonresidency of the individual's spouse. The department will, in its discretion, require additional proof of the individual's intent to remain in Alaska.

- Clarify ambiguous requirements that drive avoidable number of underdetermined cases to be worked, denials, or appeals.
- Modernize references to forms, submission methods, and notice processes.
- Consolidate redundant provisions and simplify the structure of procedural rules where feasible.

No public comments were received on the division's regulations during the AO 360 public comment period. Given that the dividend and its application process are known hot button topics throughout the state, the division is planning additional public outreach to elicit feedback. Concerns brought to the division's attention during that campaign will be carefully evaluated and worked into its reform efforts where appropriate.

3.4 Child Support Enforcement Division (CSED)

CSED aims to improve transparency and predictability for parties while maintaining strict compliance with Social Security Act title IV-D requirements, enforcement tools, and due process protections. The division evaluated its regulations governing administrative enforcement, arrears forgiveness, hardship modification, and payment calculation processes. The review identified the following priorities:

- 15 AAC 125.435. Modification of administrative enforcement action based on evidence of unusual hardship. Clarify procedural standards governing modification of administrative enforcement actions based on unusual hardship. The objective is to improve transparency and consistency in application without altering statutory authority or eligibility standards.

- 15 AAC 125.650. Eligibility to participate in arrears forgiveness program. Streamline and clarify eligibility criteria, application requirements, and agreement terms related to arrears forgiveness. This includes:

    - Improving clarity in eligibility thresholds, including incarceration-based eligibility.
    - Clarifying disqualification standards (e.g., criminal nonsupport convictions).
    - Removing redundant or duplicative provisions.
    - Aligning regulatory language with existing statutory authority.

These revisions are intended to improve predictability and reduce ambiguity without expanding or narrowing program eligibility beyond statutory limits.

- Monthly Payment Calculation and Agreement Structure - improve structural clarity in provisions governing:

    - Calculation of monthly payments under forgiveness agreements.

- Treatment of interest and amortization schedules.
- Credit treatment for medical, dental, and educational payments.
- Conditions for good cause exceptions.

The goal is to simplify regulatory language and ensure clear alignment with existing enforcement and payment frameworks.

- Enforcement Provisions During Forgiveness Participation - clarify regulatory language describing continued enforcement actions during participation in the forgiveness program, including:

  - Federal tax refund intercepts.
  - Permanent Fund Dividend attachments.
  - Liens and credit bureau reporting.

These revisions clarify program mechanics without altering enforcement authority or federal participation requirements.

Department-Wide Summary
DOR's implementation of AO 360 is structured to produce durable, legally sound, and operationally meaningful burden reduction. The department is applying a disciplined review to ensure that each regulatory requirement (and any requirement conveyed through guidance) is justified by statute, necessary for fiscal and program integrity, and expressed as clearly and efficiently as possible.

DOR will deliver the March 31 plan milestones, publish stakeholder feedback and agency responses, and advance a sequenced set of regulatory packages—prioritizing those that reduce unnecessary burden while preserving taxpayer rights, confidentiality, enforceability, and statutory compliance.

Tax Division			
Chapter	Subject	Proposed Action	Timeline
55.021	Days of well operation.	Repeal.	*
55.213	Methodologies under AS 43.55.160(f)(3)	Amend to replace continuous metering requirements with an allocation-based methodology.	*
55.214	Duration of gross value reductions	Amend to clarify timing rules governing Gross Value Reduction.	*
55.217	Carried-forward annual losses after December 31, 2017	Amend to clarify carried-forward annual loss interaction with credits.	*
55.250 and .260	Standards for lease expenditures other than overhead; and Direct charges	Amend to clarify direct cost treatment, recognize project management roles, and remove outdated requirements.	*
55.315, .335, .341, .345, .351, .356, .360, and .525	Production tax credits	Repeal or remove outdated production tax credit citations.	*
56.005	Mandatory property statement	Amend to remove requirement for prescribed property statement form where no template exists.	*
56.050	Credit and refund	Amend for clarification to prevent duplication of penalties and interest in property tax credits.	*
56.100	Production property	Amend to modernize accrual treatment for production property.	*
116.415	Common property fishery assessment rate	Hidden Falls Hatchery chum salmon (5/12/2026 - LR&R Review)	Under review with LAW

* Tax regulation packages will be prepared June - November 2026 and 2027 (outside of legislative session and preparation periods for spring/fall revenue forecasts)

Treasury Division			
Chapter	Subject	Proposed Action	Timeline
112.010(b)	ARM Board nominations - noticing	Remove language that appears in AS 37.10.240(c)	June 2026 - draft and submit to Law for preliminary legal review
170.010 - .045	Constitutional Budget Reserve Fund Subaccount Non-Routine Investments	New chapter to comply with AO 362	Out for public comment.

Permanent Fund Dividend Division			
Chapter	Subject	Proposed Action	Timeline
23.163, .213	Attachments & allowable absences	Allow receipt of electronic levy notices & provision of required docs via email.	5/12/2026 - Awaiting adoption

Child Support Enforcement Division			
Chapter	Subject	Proposed Action	Timeline
125.520 125.740	Use of standard notices and forms Use of standard forms	Combine the two to remove repetitive language and intent.	June 2026 - draft and submit to Law for preliminary legal review
125.435	Modification of administrative enforcement action based on evidence of unusual hardship	Clarify procedural standards.	June 2026 - draft and submit to Law for preliminary legal review
125.572	Priorities for withholding; exception	Repeal. AS 25.27.062, Income withholding order for support, is sufficient. No need for regulatory supportive language.	June 2026 - draft and submit to Law for preliminary legal review
125.650	Eligibility to participate in arrears forgiveness program	Streamline and clarify eligibility criteria, application requirements, and agreement terms.	July 2026 - draft and submit to Law for preliminary legal review
125.655	Eligibility based on incarceration	Repeal. Addressed in 15 AAC 125.650.	*125.650, .655, .665, and .668 to be submitted as one project*
125.665	Requirements for foregiveness agreement	Remove language that is tied to amendments to 125.668.	
125.668	Calculation of monthly payment amount	Remove language that is tied to amendments to 125.668.	
125.673	Continued enforcement actions and application of payments	Remove Paragraphs 1-3 of Subsection (a), and Subsections (b)-(d).	August 2026 - draft and submit to Law for preliminary legal review
125.050(b)(3)(c)			