



Airlines for America®

We Connect the World

February 25, 2016

Rep. Shelley Hughes
Co-Chair House Transportation Committee
Alaska State Legislature
Juneau, AK 99801

RE: HB 249

Dear Rep. Hughes:

On behalf of Airlines for America (A4A)¹ – the oldest and largest trade association of domestic passenger and cargo airlines – I am writing to respectfully express our opposition to HB 249, currently before your committee. A4A believes this bill, which would raise Alaska’s excise tax on jet fuel to 10 cents per gallon (cpg), would not only place an unfair burden on our carriers but also harm Alaska’s economy and competitiveness.

As you know, commercial aviation is vital to the economic health of Alaska. According to the Federal Aviation Administration, approximately 12 percent of the state’s jobs (about 56,000), are tied to commercial aviation – ranking third in the country (behind Hawaii and Nevada). Further, approximately 7 percent of the state’s economy is tied to commercial aviation – ranking fourth in the country (behind Hawaii, Nevada, and Arizona).

While Alaska’s current excise tax of 3.2 cpg seems relatively low, there are 19 states that tax jet fuel at overall rates lower than Alaska’s. The state’s nearest neighbors in the Pacific Northwest impose similar effective tax rates on jet fuel: 3 cpg in Oregon and 4 cpg in Washington. Meanwhile, Delaware, Ohio, and Texas do not tax jet fuel at all, and another 6 states do not impose sales or excise taxes on jet fuel.

Raising the excise tax to 10 cpg would make Alaska’s jet fuel tax the 15th most burdensome in the country, which could have a devastating impact to a state so heavily reliant on travel and tourism. As airline costs – like taxes – increase, the number of departing seats can decrease. Air service reductions typically lead to reduced travel and trade – and ultimately fewer jobs – thereby damaging the economy.

¹ A4A members include: Alaska Airlines, Inc., American Airlines, Inc., Atlas Air, Inc., Federal Express Corp., Hawaiian Airlines, JetBlue Airways Corp., Southwest Airlines Co., United Continental Holdings, Inc., UPS Airlines, US Airways, Inc., Air Canada is an associate member.

In addition to general opposition to a tax hike, A4A has concerns that parts of this proposal could violate federal policy on the use of fuel tax revenue. Violating this policy could result in a substantial reduction in federal funds sent to Alaska. For over 30 years, Congress has prohibited taxes on aviation fuels unless the proceeds are used for airport capital or operating costs or state aviation programs (49 USC 47133). The only exception to the law applies to fuel-related taxes that were levied prior to 1987, which are grandfathered. However, if a tax existed before 1987 and afterward the tax is raised, that increase is not grandfathered. A4A is concerned that if the fuel excise tax is increased, the increased revenue will not be used for aviation because of the state's fiscal situation.

A4A greatly appreciates the chance to comment on this important matter. We would be happy to speak or meet with you or any members of the committee if you would like to discuss this further. Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink that reads "Jon Almeras". The signature is fluid and cursive, with a long horizontal line extending from the end of the "s" in "Almeras" to the right.

Jon Almeras
Managing Director, Taxes
Airlines for America