



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela Rodell, Commissioner

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March 7, 2014

Representative Paul Seaton
State Capitol Room 102
Juneau, AK 99801

Dear Representative Seaton,

This letter is in response to the February 21, 2014 email from your office requesting an estimate of the revenue potential of "a ½ cent per gallon surcharge on the first wholesale value of all refined petroleum products that are both produced in Alaska and imported into Alaska."

In response to this question, we consulted three different sources of data to estimate consumption of refined petroleum products in Alaska, since it is difficult to find exact consumption data. DOR collects and maintains data regarding fuel subject to the motor fuel tax, but the proposed surcharge would apply to a broader tax base than just fuel subject to the motor fuel tax. As a result, we encourage you to regard the estimates provided as a preliminary range of potential revenues that could be generated by the surcharge. Depending on how broadly the surcharge is applied, the revenue potential ranges from roughly \$3.2 million to \$11.6 million per year.

The Energy Information Agency (EIA) reported that in 2011, Alaska consumed 2.3 billion gallons total of distillate fuel oil, jet fuel, LPG (liquefied petroleum gas), motor gas, residual fuel oil, and "other" fuels. Applying the ½ cent surcharge would generate \$11.6 million using these estimates. Please note that the EIA reports total estimated gallons of petroleum products consumed and not all of those gallons are taxed by the state. Therefore, the estimate above, which was derived from the EIA consumption data, is probably inflated.

The 2009 DNR Annual Report reported annual fuel sales volumes between 1995-2008, including gasoline, aviation gasoline, kerosene type jet fuel, propane, No. 1 Distillate, No. 2 Fuel Oil, and No. 2 Diesel Fuel. On average, DNR estimated that 1.5 billion gallons of fuel were sold in Alaska per year, which would generate \$7.3 million in revenues on average.

Finally, if the surcharge was only placed on motor fuel subject to the motor fuel tax, it may generate about \$3.2 million per year. This is based on an average of 600,000 total gallons of motor fuel reported on tax returns each year according to DOR's Annual Reports from FY 2005 to FY 2013

Sincerely,

A handwritten signature in blue ink that reads "Angela Rodell". The signature is written in a cursive style with a large initial 'A'.

Angela Rodell
Commissioner