



February 21, 2017

The Honorable Adam Wool
Alaska State Legislature
State Capitol, Room 412
Juneau Alaska, 99801

The Honorable Louise Stutes
Alaska State Legislature
State Capitol, Room 406
Juneau Alaska, 99801

Dear Co-Chair Wool and Co-Chair Stutes,

An oversight has been identified in my response to Co-Chair Stutes' question in the House Transportation Committee on February 14, 2017 regarding what Alaska's ranking will be after the second motor fuel tax increase. The response inadvertently provided the wrong state ranking for fuel tax collections. A revised answer can be found below.

Alaska is one of 21 states that are currently considering motor fuel tax increases so these rankings are likely to change.

Fuel Type	Current	After the Second Increase
Highway*	Lowest (of 51)*	26th Lowest (of 51)*
Marine^	Lowest (of 51)^	3rd Lowest (of 51)^
Aviation Gasoline**	9th Lowest (of 43)**	32nd Lowest (of 43)**
Jet Fuel***	12th Lowest (of 36)***	28th Lowest (of 36)***

*Tied for 26th lowest. Four states charge exactly 24 cents per gallon. 22 states will have a higher tax than Alaska after the increase.

^In most states the marine tax rate is the same as the highway tax rate. Several states provide refunds for specific types of marine activities (commercial fishing, cargo shipping, recreational vessels) but Alaska is unique in having a lower rate for all marine fuel. Only two states are lower than \$0.15/gallon for both highway diesel and gas.

**Aviation gasoline is currently 9th lowest of the 43 states (including DC) that charge this tax. Six states charge no tax, one state charges a sales tax in lieu of aviation gasoline tax and one state charges a petroleum products gross earnings tax. 11 states will have a higher tax after the increase.

***Jet Fuel is currently 12th lowest of the 36 states (including DC) that charge this tax. Nine states charge no tax, four states charge a sales tax in lieu of aviation gasoline tax and two states charge a tax based on gross receipts. 8 states will have a higher tax after the increase.

While jet fuel taxes will be on the high end, it is important to realize that most states include aviation fuel in their ordinary sales and use tax. The Tax Foundation illustrates that Alaska's current tax is 19th lowest in the nation when considering sales taxes and will be 36th lowest after the second increase. (<https://taxfoundation.org/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state>)

The Honorable Adam Wool
The Honorable Louise Stutes
February 21, 2017
Page 2

Source: <http://www.taxadmin.org/assets/docs/MotorFuel/2016-09%20Motor%20Fuel%20Tax%20Information%20by%20State%20Book.pdf>

Collections from each mode are as follows:

Fuel Type	Collections (\$millions)		
	Current	FY2018	FY2019
Highway	\$30.5	\$61.4	\$92.8
Water Craft	\$5.1	\$10.0	\$15.1
Aviation Gasoline	\$0.5	\$1.0	\$1.5
Jet Fuel	\$4.2	\$8.3	\$12.4
Total	\$40.3	\$80.7	\$121.8

You have my sincere apologies for the earlier misinformation. Please let me know if there are any questions.

Sincerely,



Brian Fechter, Policy Analyst
Office of Management and Budget
brian.fechter@alaska.gov

cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office