

# HB 60 Motor Fuel Tax

House Finance Committee

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*Deputy Commissioner*

**State of Alaska**

**Department of Revenue**



# Motor Fuel Tax Increase

“An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to the transportation maintenance fund; and providing for an effective date.”

# Motor Fuel Tax History

- Began in 1945
- Tax rates have increased over time, but structure unchanged
  - Last increase: highway 1970, marine 1977, aviation fuel 1994
- Tax was suspended from Sept. 1, 2008, to Aug. 31, 2009
- In 2015, HB 158 added \$0.0095 surcharge on motor fuels and some other refined fuels
  - Intended for spill prevention and response fund

# Relative Motor Fuel Tax Rate

- Alaska's fuel taxes are among lowest in U.S.<sup>1</sup>
  - Highway fuel: lowest and the longest time since increase
  - Jet fuel: 35<sup>th</sup> out of 50
  - Aviation gas: 24<sup>th</sup> out of 50
- Under this bill, Alaska taxes would be:
  - Below national average for highway fuel
  - Above national average for jet/aviation fuel

<sup>1</sup> Per Institute on Taxation and Economic Policy 2017 No comprehensive data for other states' marine fuel taxes. However, we believe that in most states the "marine" rate is the "highway" rate. Therefore, our "marine" rate is likely also one of the lowest in the country.

# Motor Fuel Tax Proposal

Type of fuel	Current (per gallon)	Proposed (per gallon) July 1,2017	Proposed (per gallon) July 1, 2018
Highway	\$0.08	\$0.16	\$0.24
Marine	\$0.05	\$0.10	\$0.15
Jet fuel	\$0.032	\$0.064	\$0.096
Aviation gas	\$0.047	\$0.094	\$0.141
“Off-road use” credit	-\$0.06	-\$0.12	-\$0.18

# Motor Fuel Tax Impacts (examples)

Type of fuel	Cost Current (per gallon)	Cost Proposed (per gallon) July 1, 2017	Cost Proposed (per gallon) July 1, 2018
Highway fuel 25,000 miles @15 mpg = 1,666 gallons	\$0.08 \$133.00	\$0.16 \$266.00	\$0.24 \$399.00
Highway Fuel 30,000 lbs freight 360 miles @ 5 mpg = 72 gal	\$.08 \$5.76 2 cents per 100 lbs	\$0.16 \$11.52 4 cents	\$0.24 \$17.28 6 cents
Marine 3,000 gal	\$0.05 \$150.00	\$0.10 \$300.00	\$0.15 \$450.00
Jet fuel 100,000 gal	\$0.032 \$3,200.00	\$0.064 \$6,400.00	\$0.096 \$9,600.00
Aviation gas 1,000	\$0.047 \$47.00	\$0.094 \$94.00	\$0.141 \$141.00

# Disposition of Revenues

- Creates “Transportation Maintenance Fund” as a new fund within the General Fund
  - Aviation fuel taxes are Designated General Fund under current law
  - HB 60 moves taxes on highway and marine fuel from Undesignated General Fund to Designated General Fund for budgeting
  - Creates confidence that revenues from motor fuel will be used to build and maintain transportation infrastructure

# Transportation Committee

## Change to the CS

### ➤ Refund for Commercial Fishing Operations

**(2) a watercraft engaged in commercial fishing is entitled to a motor fuel tax refund of three cents a gallon if the tax on the motor fuel has been paid; in this paragraph, "commercial fishing" means the taking of, fishing for, or possession of fish, shellfish, or other fishery resources with the intent of disposing of them for profit or by sale.**



# Revenue Impact

- Additional revenue about \$40 million first year \$80 per year thereafter
  - \$0.4 million will be shared with municipal-owned airports
  - Remainder: Transportation maintenance fund, special accounts for road, water transport, and aviation facilities
- Estimates based on fall 2016 revenue forecast
- Does not account for changes in fuel demand or stockpiling

# Implementation Cost

- Dept. of Revenue must update:
  - Tax Revenue Management System (TRMS)
  - Revenue Online (ROL) which allows a taxpayer to file a return and apply for a dealer license online
  - Tax return forms
- One-time implementation cost of \$50,000 to recreate tax forms and reprogram and test the tax system to accommodate the rate changes
- No additional costs to administer the tax program from tax change
- Transportation Committee amendment will require 1 tax technician at an annual cost of \$64,500 to process tax refunds



# State of Alaska Department of Revenue

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