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Governor Bill Walker  
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January 17, 2017

The Honorable Bryce Edgmon  
Speaker of the House  
Alaska State Legislature  
State Capitol Room 208  
Juneau, AK 99801

Dear Speaker Edgmon:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the taxation of motor fuels.

The bill would raise the tax rates on the categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax) by increasing the currently outdated tax rates on motor fuels, including all motor fuel sold or transferred within the state, aviation gasoline, aviation fuel other than gasoline and motor fuel used in and on watercraft. The tax increase would be phased in, with a first increase effective July 1, 2017, and the second increase effective July 1, 2018. The two-part implementation approach in the bill will assist in easing the transition to a more practical tax base.

While the proposed tax increase may appear to represent a significant increase, the tax rates on motor fuel sold or transferred within the state have not been raised in many years; for example, the tax on highway fuel has remained at eight cents a gallon since 1970. This bill would bring Alaska's tax rate on highway fuel very close to the current national average of 25 cents a gallon.

Further, this bill would establish as AS 43.40.040 the transportation maintenance fund in the general fund. Included in this fund would be the existing special highway fuel tax account (AS 43.40.010(g)), the special nonpublic highway use account (AS 43.40.010(j)), and the special watercraft fuel tax account (AS 43.40.010(f)) for revenue generated by the tax. This approach clarifies how motor fuels taxes are accounted for in order to allow the Legislature to appropriate funds for the purposes set out in each account in the transportation maintenance fund, including the direct capital, operating, or maintenance costs of water and harbor, and highway infrastructure.

Thank you for your consideration of this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker  
Governor

Enclosure