



Discussion of Fuel Taxes in Alaska

At the request of the governor and the Aviation Advisory Board, DOT&PF researched numerous revenue options used across the country, analyzed their utility in Alaska, and provided additional information on those potential options most applicable within the state. There are certainly pros and cons associated with each option, and some would be less burdensome to implement.

The Department believes their primary goal is to work with stakeholders and develop a solution that moves our aviation system forward. The department has considered new landing fees, aircraft registration fees, and raising the jet and aviation gas fuel tax on domestic carriers.

Discussion of Fuel Taxes in Alaska. According to figures provided by the Alaska Department of Revenue, only about 20% of non-government aviation fuel uplifted in Alaska is subject to taxation (see detailed figures below). This is largely due to the tax exemptions currently provided in state law for fuel uplifted into aircraft bound for foreign destinations and foreign origin flights continuing to a domestic destination.

The terms, “fuel tax” and “fuel flowage fees” are sometime confused. To clarify, in Alaska, the aviation fuel tax is assessed by the State on fuel sold, transferred or used in the state, regardless of where the fuel transaction takes place within Alaska (subject to the exemptions in the law). On the other hand, a fuel flowage fee is charged by an airport operator only for fuel uplifted at that particular airport. Under some circumstances, both the tax and the fee may apply to an uplifted gallon of fuel. For example:

Currently, fuel uplifted at the Alaska International Airport System for Alaska-origin flights to domestic locations is subject to both a fuel flowage fee (paid to the airport system) and the fuel tax (paid to the state). Fuel uplifted at the International Airport System for aircraft bound to foreign destinations and foreign origin flights continuing to a domestic destination is subject only to the fuel flowage fee (due to the foreign flight tax exemption).

The revenue generated through state fuel taxes is not available for use at the International Airport System, but may be appropriated by the legislature for other aviation facilities (at rural airports).

In 1986, the U.S. Supreme Court heard a case involving taxes on aviation fuel uplifted for international flights. The courts upheld a state’s ability to tax such fuel.

The net effect of the existing state aviation fuel tax laws in Alaska is that, only air carriers operating flights inside Alaska and those operating Alaska-origin flights to domestic locations pay the tax. Increasing the existing tax rate without making any other change to the law would increase the tax burden of only these two categories of air carriers.

Perhaps, the State’s dialog over new aviation/airport fees should include a discussion of existing fuel tax exemptions.

	SFY 2014	SFY 2015	SFY 2016
Jet fuel Gallons Taxed	130,031,397	128,518,587	163,074,189
Jet Fuel Gallons Exempt for Foright Flights	478,289,708	485,384,815	475,476,722