

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	CSSB 115(FIN)
Fiscal Note Number:	1
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Identifier: SB115CS(FIN)-DOR-TAX-2-21-2020
Title: MOTOR FUEL TAX
Sponsor: BISHOP
Requester: (S) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1249 Motor Fuel (DGF)	33,800.0		33,300.0	32,800.0	32,100.0	31,500.0	31,000.0
Total	33,800.0	0.0	33,300.0	32,800.0	32,100.0	31,500.0	31,000.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/20

Why this fiscal note differs from previous version/comments:

Updated to reflect Finance committee substitute. Updated to correctly show revenue impact as Designated General Fund, and to remove FY2021 capital request.

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Date: 02/24/20

REPORTED OUT OF
SFC 02/25/2020

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

Analysis

Background

The change in this legislation would be to increase the tax rates of highway fuel, gasohol, and marine fuel, as well as refunds for fuel used off the road system. It would increase the per-gallon tax rates for dealers and users of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16, and marine fuel from \$0.05 to \$0.10. It would also increase the per-gallon refund for fuel that is used off the road system from \$0.06 to \$0.12 (effectively doubling the off-road use tax from \$0.02 to \$0.04). This bill would also add special registration fees for electric and hybrid vehicles, but these fees would be collected by the Department of Administration and do not directly impact the Department of Revenue (DOR).

Revenue Impact

The effective date of this bill would be July 1, 2020, so increasing the motor fuel tax rates would double tax collections in FY21 and beyond. The increase in the refund for fuel that is used off the road system is included in this estimate. The additional funds would be considered Designated General Fund Revenue, as funds are deposited in the special highway fuel tax account and the special watercraft fuel account within the general fund. The special highway fuel tax account is used for the maintenance of highways, the construction of highway projects and ferries, and other highway costs. The special watercraft fuel account is used to fund water and harbor facilities.

DOR's Fall 2019 Revenue Sources Book estimates FY21 receipts from motor fuel tax on highway fuel, gasohol, and marine fuel of \$33.8 million. A doubling of the tax rates under this bill would increase FY21 tax receipts by an additional \$33.8 million, for a total of \$67.6 million. Estimates are based on gallons of motor fuels reported on tax returns and tracked in the Tax Revenue Management System (TRMS), combined with U.S. consumption projections from the federal Energy Information Agency. DOR expects that Alaska's future highway and marine fuel consumption will mirror overall U.S. trends, declining at between 1% and 2% per year. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase.

Implementation Cost

This legislation would require the Department of Revenue to update its TRMS and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. The division would also need to update the current tax return forms. This fiscal note has no additional funding needs but that is conditional on pending TRMS budget requests. If the operating budget increment for FY 2021 for the Tax Division is approved, the division would be fully funded for the ongoing operations and maintenance of TRMS and would not need funding for this request. If the operating budget increment is not approved, then the division would need \$50,000 capital funding to make the programming changes required by this bill.