

# ALASKA STATE LEGISLATURE



## REPRESENTATIVE ANDY JOSEPHSON

### HB 104 – Motor Fuel Tax

#### Frequently Asked Questions

**1. What are the current motor fuel tax and surcharge rates?**

- a. 8 cents per gallon on diesel and gasoline purchased for highway use.
- b. 5 cents per gallon on diesel and gasoline purchased for marine use.
- c. 4.7 cents per gallon on aviation gas.
- d. 3.2 cents per gallon jet fuel.
- e. 0.95 cents per gallon surcharge on all refined fuels.

**2. What is the proposed increase in HB 104 for all motor fuel tax and surcharge rates?**

- a. 8 cents per gallon on diesel and gasoline purchased for highway use (for a total of 16 cents per gallon).
- b. 5 cents per gallon on diesel and gasoline purchased for marine use (for a total of 10 cents per gallon).
- c. No increase in aviation gas.
- d. No increase in jet fuel.
- e. 0.55 cents per gallon surcharge on all refined fuels (for a total of 1.5 cents per gallon).

**3. What fees are assessed in addition to those dealing with motor fuel?**

HB 104 increases the biennial registration fee for electric and plug-in hybrid vehicles. Electric and alternative fuel vehicles will be subject to a fee of \$100 biennially, while the fee for plug-in hybrid vehicles will be \$50.

**4. Why is aviation gas and jet fuel exempt from the tax increase?**

Alaska currently has a more competitive position among the other states for these fuel types. Among states with these taxes, Alaska's rate is higher than 10 states for aviation fuel and 9 states for jet fuel.

**5. Are there other taxes levied on motor fuels in Alaska?**

Yes. In addition to Alaska's base excise tax rate of 8 cents per gallon on highway fuel and 5 cents per gallon on marine fuel, local sales taxes and the state's refined fuel surcharge of 0.95 cents per gallon also apply.

# ALASKA STATE LEGISLATURE



## REPRESENTATIVE ANDY JOSEPHSON

### **6. How does Alaska compare to other states before and after the proposed motor fuel tax increase?**

When enacted in 1970, Alaska's motor fuel tax of 8 cents per gallon was typical, in comparison to other states. In the subsequent half century, every other state has increased its fuel tax rates while Alaska has remained frozen in time. In 1970, the average gallon of gasoline in the US cost \$0.36. After adjusting for inflation, an 8 cent fuel tax in 1970 would equate to 54 cents today. In other words, Alaska's fuel tax has lost 85% of its purchasing power since it last changed.

HB 104 proposes to increase the tax rates on highway and marine motor fuels to 16 cents and 10 cents per gallon, respectively. With this increase, Alaska would still have the lowest marine motor fuel tax rate in the nation while our ranking for the highway fuel tax would move from 50<sup>th</sup> to 43<sup>rd</sup>.

### **7. What is the national average state motor fuel tax?**

According to a January 1, 2021 report by the American Petroleum Institute, the national average for state motor fuel tax is 25.68 cents per gallon for gasoline and 26.24 cents per gallon for diesel. When other state and local taxes/fees are considered, the national average is 36.83 cents per gallon for gasoline and 37.85 cents per gallon for diesel. Alaska's average for all state and local taxes and fees is 13.79 cents per gallon for gasoline and 13.82 cents per gallon for diesel. This includes the state's base excise tax of 8 cents per gallon, the state's refined fuel surcharge of 0.95 cents per gallon, and the average sales tax for all cities and boroughs of 4.84 cents per gallon for gasoline and 4.87 cents per gallon for diesel. (Note: the above rates do not include any federal excise taxes levied)

### **8. What is the refined fuel surcharge?**

Enacted in 2015, the refined fuel surcharge is a fee of 0.95 cents per gallon on refined fuel when first sold, transferred, or used in Alaska. This revenue is deposited into the oil and hazardous substance release prevention and response fund and is used by the Department of Environmental Conservation's Division of Spill Prevention and Response. In FY20, the refined fuel surcharge generated \$6.9 million in revenue.

### **9. How much revenue is anticipated by increasing the fuel tax?**

HB 104 would generate roughly \$30-\$31 million annually, with approximately \$5 million in revenue from motor fuels, before accounting for the commercial fishing rebate contained within the bill.

# ALASKA STATE LEGISLATURE



## REPRESENTATIVE ANDY JOSEPHSON

### **10. How much revenue is anticipated by increasing the fuel surcharge?**

The 0.55 cent per gallon increase in the refined fuel surcharge is anticipated to raise \$3.4 to \$3.7 million in additional annual income.

### **11. How much revenue is anticipated from the biennial fee on electric, hybrid, and alternative fuel vehicles?**

These fees are anticipated to raise approximately \$87,000 annually, assuming that the number of registered vehicles of these types do not change in future years.

### **12. Where does the motor fuel tax revenue go?**

The Department of Revenue's Tax Division deposits tax revenue from each fuel type into a specific account in the General Fund. The Legislature may appropriate that money for a use related to the specific fuel type. AS 43.40.010 directs taxes levied on fuel for a) watercraft, b) road vehicles, and c) off-road vehicles be deposited into three separate accounts in the General Fund. The revenue from each account is designated for:

- a) Water and harbor facilities;
- b) Maintenance of highways and construction of highway projects; and
- c) Trails and shelter construction and maintenance.

For aviation fuel, FAA regulations require that revenue generated through aviation fuel taxes must be invested back into airports and may not be used for other purposes. AS 43.40.010(e) requires the Department of Revenue to share 60% of the revenue generated from aviation taxes with municipalities for municipally owned or operated airports.

### **13. Who is exempt from paying motor fuel taxes?**

Fuel sold to heat private homes or commercial buildings; for use by federal, state, and local government agencies, and charitable organizations; for sale or transfer between qualified dealers; for use in foreign flights (jet fuel), and exports; and for fuel sold as bunker fuel (residual fuel oil or #6 fuel oil).

### **14. Who is eligible for a refund?**

A person who purchases motor fuel for off-road use (other than fuel used for aviation or watercraft) is eligible to receive a partial refund of 6 cents per gallon, and commercial fishing vessels licensed under AS 16.05.490-16.05.530 will be eligible for a 5 cent per gallon refund. Refund claims must be submitted within one year of purchase. Valid refund claims are paid from the highway fuel tax account in the General Fund.

# ALASKA STATE LEGISLATURE



## REPRESENTATIVE ANDY JOSEPHSON

### **15. How is the motor fuel tax collected?**

The Department of Revenue collects the motor fuel tax primarily from wholesalers and distributors that possess a qualified dealer license issued by the department. Taxpayers are required to file their tax electronically every month.

### **16. When would the tax increase take effect?**

January 1, 2022.