

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version: HB 104
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB104CS(FIN)-DOR-TAX-5-6-22
Title: REFINED FUEL SURCHARGE; SUSP MTR FUEL TAX
Sponsor: JOSEPHSON
Requester: (S) Transportation

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)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates					
			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0							

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

1005 GF/Prgm (DGF)	1,600.0		3,700.0	3,700.0	3,700.0	3,600.0	3,600.0
1272 Oil/HazRev (DGF)	1,500.0		3,700.0	3,600.0	3,600.0	3,600.0	3,500.0
Total	3,100.0	0.0	7,400.0	7,300.0	7,300.0	7,200.0	7,100.0

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2023) 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If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/22

Why this fiscal note differs from previous version/comments:

Beginning in FY2022, the Department classifies the refined fuel surcharge as Designated General Fund revenue based on an agreement between the Office of Management and Budget, the Legislative Finance Division, and the Department of Revenue. Updated for committee substitute that proposes to increase the motor fuel surcharge only and that changes the effective date to January 1, 2023. Updated for Admendment #1 to committee substitute that was adopted by the House on May 3, 2022 that proposes to suspend the motor fuel tax the first day of the month following an immediate effective date through June 30, 2023.

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Division: Tax Division Date: 05/06/2022 04:30 PM
Approved By: Eric DeMoulin, Administrative Services Director Date: 05/06/22
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

BILL NO. CSHB 104(FIN) am

Analysis

Background

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since its inception. In 2015, a surcharge of \$0.0095 was added to certain motor fuels as well as other refined fuels such as home heating oil.

This bill would increase the motor fuel surcharge from \$0.0095 per gallon to \$0.0150 per gallon, and would have an effective date of January 1, 2023. Amendment #1 would suspend the motor fuel tax the first day of the month following an immediate effective date through June 30, 2023. A provision with an immediate effective date becomes effective on the day after it is signed by the Governor. For purposes of this fiscal note, the Department assumes that the tax suspension would go into effect on June 1, 2022, and end June 30, 2023.

Revenue Impact

The Department of Revenue (Department) used data from its Spring 2022 forecast to analyze the revenue impacts of this bill and Amendment #1. It is estimated that the increased refined fuel surcharge rate would generate \$1.6 million for FY2023 and \$3.7 million for FY2024, decreasing to \$3.6 million in FY2028. These revenues are classified as 1005 General Fund Program Receipts (GF/PR).

For purposes of estimating the revenue impact of the Motor Fuel Tax suspension, the Department assumed that the tax suspension would go into effect on June 1, 2022, and end June 30, 2023. There is a one-month timing shift in accounting for Motor Fuel Tax revenue since the tax payments are not due until the last day of the month following the month the tax liability is incurred. Therefore, for FY2023 the Department estimates that the suspended Motor Fuel Tax would result in a loss of \$35.2 million (code 1249) and \$5.1 million in Aviation Fuel Tax revenue (code 1239).

Although the Motor Fuel Tax suspension would be lifted effective July 1, 2023, due to the one-month timing shift noted above, the Department estimates for FY2024 that the suspended Motor Fuel Tax would result in a loss of \$2.9 million (code 1249) and \$0.4 million to Aviation Fuel Tax revenue (code 1239).

Motor fuel and refined fuel consumption estimates are based on historical data reported on monthly tax returns and tracked in the Tax Revenue Management System (TRMS), combined with national consumption projections from the Energy Information Administration. The revenue estimates make no adjustment for possible changes in behavior due to the surcharge change.

Implementation Cost

This legislation would not require the Department to make material changes to TRMS. Therefore, there would be no cost to the Department for implementation. After the implementation of the changes, this legislation would cause a small additional administrative burden on the Department. Resources required to implement this bill would include staff time to write regulations, update tax forms, update programming in TRMS and Revenue Online, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing resources.