



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

TAX DIVISION

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The Honorable Anna MacKinnon
Co-chair, Senate Finance Committee
State Capitol
Juneau, AK 99801

Delivered Electronically via Email:

Dear Senator MacKinnon:

I am writing to respond to a question that was raised during the April 3 hearing in your committee on SB 86, "An Act relating to a refined fuel surcharge." Senator Hoffman's question addressed the relative volumes of fuel that would be subject to this surcharge versus the volumes that would be exempt, as compared to the motor fuel tax as it currently exists.

Answer:

Most of the exemptions in current law are listed within the definition of "motor fuel," in AS 43.40.100(2). In the below table, we list these exemptions, the average volume of fuel for which these exemptions were claimed in FY2013 and 2014, and whether they are or are not also exempted in Sec. 2 of CSSB 86(FIN)\F. Currently, the exemptions in SB 86 are identical to those in the companion bill, HB 158, which passed the House on April 8.

Millions of Gallons per Year

Category	Reference	Total Gallons	Taxable in Current Law	Taxable in SB 86 and HB 158
Taxable Motor Fuel (non-aviation)		487	487	487
Taxable Motor Fuel (aviation)		140	140	0
Used by Dealer		59	0	59
Fuel Taxed then later refunded as non-taxable	various	66	0	66

Exported	AS 43.40.100(2)(A)	61	0	0
Foreign Flights	AS 43.40.100(2)(B)	481	0	0
Utilities / Power Plants	AS 43.40.100(2)(C),(D),(H),(K)	33	0	33
Charitable Institutions	AS 43.40.100(2)(E)	1	0	1
Federal, State, and Local Government	AS 43.40.100(2)(G)	103	0	15 *
Heating Oil	AS 43.40.100(2)(I)	109	0	109
Other	AS 43.40.100(2)(K)	15	0	15
Total Reported Fuel Sales		1,555		
Total Taxable (Motor Fuel)			627	
Total Subject to Surcharge (SB 86 / HB 158)				785

* The motor fuel tax exempts "federal, state, and local." The Surcharge bills only exempt "federal and state."

As you can see, the primary fuel types that would be subject to the surcharge while exempted from the motor fuel tax are: heating fuel, sales to utilities and power plants, sales to local governments, fuel used by the dealer, and fuel that is initially taxed and subsequently refunded. The bulk of this "refund" fuel is used either in vehicles off the highway system or as heating fuel.

In addition, aviation fuel is the one fuel type which is subject to the motor fuel tax while exempt from the surcharge. As described in the legislation, "aviation fuel" is assumed to consist of both jet fuel and general aviation "avgas."

I hope you find this information is useful. Please let me know if we can provide any additional information.

Regards



Ken Alper
Director, Tax Division

Cc: Lacy Wilcox, Office of the Governor
Commissioner Larry Hartig, Department of Environmental Conservation
Deputy Commissioner Jerry Burnett, Department of Revenue