

Motor Fuel Tax Background

Background:

Alaska levies a motor fuel tax on motor fuel sold, transferred, or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors that hold “qualified dealer” licenses issued by the Department. There are four basic types of motor fuel taxes: diesel, gasoline, aviation, and gasohol. End users can claim an exemption from this tax and receive a refund if the motor fuel was used for exempt purposes (like in state vehicles).

Tax Rates and Proposed Increase:

The tax increase will double motor fuel taxes in FY2018 and triple them in FY2019. After these increases Alaska’s tax rates will be near the average tax of all 50 states and DC.

Motor Fuel Tax Rates (Cents Per Gallon)			
Tax Type	Current Tax Rate	FY2018 Tax Rate	FY2019 Tax Rate
Highway Fuel	\$0.08	\$0.16	\$0.24
Marine Fuel	\$0.05	\$0.10	\$0.15
Aviation Gasoline	\$0.047	\$0.094	\$0.141
Jet Fuel	\$0.032	\$0.064	\$0.096

Revenue will increase significantly over the next 2 years as the tax increase is phased in.

Projected Motor Fuel Tax Collections (In Millions)			
	Aviation Fuel	Highway & Marine Fuel	Total Collections
FY2017	\$4.7	\$35.5	\$40.2
FY2018 (Rates Double)	\$9.3	\$71.4	\$80.7
FY2019 (Rates Triple)	\$13.9	\$107.9	\$121.8

Aviation Fuel Tax:

Due to the federal restrictions, all revenue derived from aviation must be used on airport purposes. The increase in aviation gasoline and jet fuel revenues is dedicated for use on airports. Currently the state spends over \$28 million per year operating the 242 airports that it owns. The general funds being used to subsidize these airports can be replaced with aviation fuel tax proceeds to keep airports open.

Motor Fuel Tax Fund:

In addition to the tax increase, the Governor’s legislation proposes depositing all revenues from the motor fuel tax into a new Transportation Infrastructure and Maintenance fund. This fund will be used for airport, highway and Alaska Marine Highway System operations and maintenance.

Where Does the Money Go?	Total Collection in Millions	Percent of Total Tax (all types)	Source	Approx Total UGF Budget in Millions	% of Gap Bridged
100% of Aviation Gasoline Tax					
Airport Operations & Maintenance	\$ 9.2	12%	100% of Jet Fuel Tax	24	39%
Central Region Highways & Aviation	\$ 2.8				
Northern Region Highways & Aviation	\$ 4.8				
Southcoast Region Highways & Aviation	\$ 1.6				
94% of Highway Motor Fuel Tax 50% of Marine Fuel Tax					
Highway & Road Maintenance	\$ 62.5	78%		73	86%
Central Region Highways & Aviation	\$ 19.1				
Northern Region Highways & Aviation	\$ 32.1				
Southcoast Region Highways & Aviation	\$ 11.2				
2.4% of Highway Motor Fuel Tax					
Roadway Safety	\$ 1.5	2%		1.5	100%
Department of Public Safety - Alaska Bureau of Highway Patrol	\$ 1.5				
3.2% of Highway Motor Fuel Tax					
Transit / Buses	\$ 2	2%		2	100%
Coordinated Transportation Services for Elderly/Disabled (Capital Budget)	\$ 1				
Public & Community Transportation State Match (Capital Budget)	\$ 1				
50% of Marine Fuel Tax					
Marine Transportation	\$ 5.1	6%		88.7	6%
Marine Highway System - Marine Vessel Operations	\$ 2.4				
Grant to Inter-island Ferry Authority (Ketchikan/Hollis route)	\$ 0.3				
Municipal Harbor Facility Grant (Harbor Repair)	\$ 2.5				

**After the first increase, Alaska will collect \$80.7 million
(current collections & increase) from the following sources**

