



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

Office of the Commissioner

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February 15, 2020

The Honorable Natasha von Imhof
Co-Chair, Senate Finance Committee
Alaska State Senator
State Capitol Room 516
Juneau, AK 99801

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Senator
State Capitol Room 518
Juneau, AK 99801

Dear Co-Chairs von Imhof and Stedman:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) regarding SB 115 during the Senate Finance Committee hearing on February 3, 2020. Please see the questions in italics and our responses immediately below the questions.

1. *Who gets refunds/rebates (category/type) with information about how many individual filers are getting those refunds and how much is being refunded?*

Anyone who purchases fuel on which the tax was applied and later uses the fuel for an exempt purpose or uses the fuel off a state-maintained road, may apply for a refund. While an individual person could apply for a refund for fuel used in a lawn mower or a snow machine, we have only received a few of those types of claims over the years. In practice, we receive claims from businesses that are using large amounts of fuel. We break out claims by "users" and "resellers." Users are the businesses or individuals who use the fuel. Resellers are the businesses that are selling the fuel to the end user. Ninety-seven percent of the claims for refund we receive are from users, the remaining 3% is from resellers. Twenty-seven percent of users are government entities, 20% are construction companies, and 15% are mines or miners. Other industries that file a claim for refund include transportation, fish processing, and timber.

The following table shows how many "individual filers" (separate businesses) filed claims for refunds. There are no restrictions to the frequency of filing for the refunds. Some claims are routinely filed every month and some wait to submit a claim once a year. The reliable data we have goes back 5 years—since we implemented our Tax Revenue Management System (TRMS). We have included all 5 years of data in the tables below.

Motor Fuel Refund/Rebates	FY19	FY18	FY17	FY16	FY15
Total claims filed	231	250	283	293	371
Number of individual filers	75	92	88	95	122

The following table breaks out the number of individual filers by types of fuel for which a refund was claimed. To protect the confidentiality of filers, we combined several exempt categories into one – “Other.” Also, please note that the number of individual filers in this table is higher than the number of individual filers in the above table because the numbers below could overlap. For example, a claimant could file a refund for heating fuel and off-road use—which would be counted twice. This table reflects how many filers filed claims for a specific exemption type.

Motor Fuel Refunds/Rebates	Heating Fuel	Off-Road Use	Off-Road Use	Government (federal, state, local)	Other *
	<i>Diesel</i>	<i>Diesel</i>	<i>Gasoline</i>	<i>All fuel types</i>	<i>All fuel types</i>
FY19 number of filers by type	6	48	14	29	14
FY18 number of filers by type	9	52	15	34	15
FY17 number of filers by type	8	50	16	33	14
FY16 number of filers by type	12	59	14	40	19
FY15 number of filers by type	29	64	16	49	20

* Includes charitable, stationary power plants, public utilities, blasting, foreign flights, and marine rate conversions

The following three tables show the amount of refunds by fuel and exemption type:

Motor Fuel Refunds/Rebates	Heating Fuel	Off-Road Use	Off-Road Use	Off-Road Use	Off-Road Use
	<i>Diesel</i>	<i>Diesel Hwy</i>	<i>Diesel</i>	<i>Gas Hwy</i>	<i>Gas Marine</i>
<i>Tax Rate</i>	<i>0.080</i>	<i>0.060</i>	<i>0.030</i>	<i>0.060</i>	<i>0.030</i>
FY19 Refund Amount by Category	\$ 300,806	\$ 3,880,141	\$ 163,533	\$ 11,244	\$ 126
FY18 Refund Amount by Category	\$ 267,672	\$ 2,610,311	\$ 172,775	\$ 19,043	\$ 14
FY17 Refund Amount by Category	\$ 313,527	\$ 3,276,179	\$ 222,418	\$ 21,002	\$ 17
FY16 Refund Amount by Category	\$ 240,618	\$ 3,783,531	\$ 90,786	\$ 54,094	\$ 78
FY15 Refund Amount by Category	\$ 450,742	\$ 3,488,050	\$ 253,785	\$ 20,548	\$ 404
Five Year Refunds by Category	\$ 1,573,366	\$ 17,038,212	\$ 903,297	\$ 125,931	\$ 639

Motor Fuel Refunds/Rebates	Government (federal, state, local)	Government (federal, state, local)	Government (federal, state, local)	Charitable Institutions	Charitable Institutions
	<i>Diesel</i>	<i>Gasoline</i>	<i>Jet</i>	<i>Diesel</i>	<i>Gasoline</i>
<i>Tax Rate</i>	0.080	0.080	0.032	0.080	0.080
FY19 Refund Amount by Category	\$ 228,643	\$ 195,913	\$ 3,034	\$ 473	\$ 2,980
FY18 Refund Amount by Category	\$ 204,286	\$ 194,117	\$ 2,458	\$ 633	\$ 4,382
FY17 Refund Amount by Category	\$ 294,585	\$ 208,239	\$ 4,020	\$ 551	\$ 3,966
FY16 Refund Amount by Category	\$ 279,198	\$ 213,873	\$ 3,258	\$ 920	\$ 4,730
FY15 Refund Amount by Category	\$ 308,155	\$ 205,580	\$ 18,898	\$ 595	\$ 215
Five Year Refunds by Category	\$ 1,314,866	\$ 1,017,722	\$ 31,668	\$ 3,172	\$ 16,274

Motor Fuel Refunds/Rebates	Stationary Power Plants	Public Utilities	Foreign Flights	Other	Fuel Conversion
	<i>Diesel</i>	<i>Diesel</i>	<i>Jet</i>	<i>Diesel</i>	<i>Diesel</i>
<i>Tax Rate</i>	0.080	0.080	0.032	0.080	0.030
FY19 Refund Amount by Category	\$ 800	\$ 6,094	\$ 1,233,216	\$ 41,074	\$ 322,878
FY18 Refund Amount by Category	\$ 1,293	\$ 4,892	\$ 1,364,844	\$ 20,494	\$ 410,095
FY17 Refund Amount by Category	\$ 3,807	\$ -	\$ 1,033,114	\$ 26,146	\$ 458,107
FY16 Refund Amount by Category	\$ -	\$ -	\$ 826,300	\$ 34,179	\$ 419,349
FY15 Refund Amount by Category	\$ 3,586	\$ -	\$ 1,197,357	\$ 30,780	\$ 477,263
Five Year Refunds by Category	\$ 9,486	\$ 10,986	\$ 5,654,829	\$ 152,673	\$ 2,087,690

2. What is the cost to the State to administer the refunds?

The Tax Division utilizes 0.75 of a full-time equivalent Auditor I/II/III to administer the motor fuel refunds/rebates. The average “all-in” cost (salary + benefits) of an Auditor I/II/III is \$99,185. Therefore, the estimated cost to administer the motor fuel refund program is \$74,389 (\$99,185 x 0.75). The examination process is labor intensive, and it takes multiple division employees to process each claim. The division receives an average of 300 refund claims annually. Each claim must be reviewed and reconciled with the fuel purchase invoices to ensure that the tax was actually paid at the time of purchase, the higher rate was charged, the invoices are not over one year old, and that there is enough inventory of fuel if consumption is using stored fuel rather than new purchases (using the “First In, First Out” accounting convention). In addition, when a claimant is requesting the off-road refund, the division employees must make sure that the fuel consumption occurred in off-road vehicles (unlicensed with the Department of Motor Vehicles) before allowing the refund. After the initial reconciliation, each claim is reviewed for accuracy by another employee before going to an Auditor IV for its final approval (depending on the amount, the claim might need a supervisory approval also).

3. Is there any consideration for marine fuel sold in locations that don't get Department of Transportation and Public Facilities funds for harbor maintenance?

No. There are no considerations for marine fuel sold in locations that don't get DOTPF funds for harbor maintenance. This would require a statute change.

4. What categories are exempt and what is the latest estimate on amount of fuel distributed in the state that is exempt (broken down by category, if possible)?

The following table lists the exempt fuel categories and the gallons that were distributed without the tax being charged.

Gallons of Motor Fuel Distributed in Alaska Exempt from the Tax					
Exemption Categories	FY19	FY18	FY17	FY16	FY15
Foreign Flights *	509,996,048	515,731,006	493,384,534	475,476,722	485,384,815
Government **	119,188,897	109,777,013	114,881,527	107,416,201	113,994,927
Heating Fuel	93,119,327	97,111,097	99,936,735	98,185,077	104,323,657
Exported Out of State	43,206,078	52,301,943	60,360,686	53,242,001	83,792,496
Public Utilities	44,737,855	45,354,846	60,876,473	44,615,996	44,563,876
Other ***	19,307,170	24,528,019	23,521,337	27,060,129	13,192,065
Stationary Power Plants	11,896,930	11,385,338	5,542,154	8,203,280	3,613,490
Charitable Institutions	918,210	941,464	1,341,805	921,798	1,460,395
TOTAL GALLONS	842,370,515	857,130,726	859,845,251	815,121,204	850,325,721

* Includes jet fuel bulk storage tanks at airport

** Federal, state and local

*** Includes blasting, incineration, fracking, bunker

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Mike Barnhill,
Deputy Commissioner, Department of Revenue