

# ALASKA STATE LEGISLATURE

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## Senator Click Bishop

### CSSB 115(FIN) - Sponsor Statement

#### “Motor Fuel Tax”

Since 1945, Alaska has levied an excise tax on motor fuel sold, transferred or used within the state. The tax is collected by the Department of Revenue primarily from wholesalers and distributors that possess a qualified dealer license issued by the department. AS 43.40.010 sets the base tax rate per gallon for four separate motor fuel types; highway (8 cents), marine (5 cents), aviation (4.7 cents) and jet (3.2 cents).

The last time Alaska updated its motor fuel tax rates was 50 years ago in May 1970. For a long time, Alaska has had the lowest motor fuel tax rates in the nation. SB 115 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 fuel tax in the nation while our ranking for the highway fuel tax would move from 50<sup>th</sup> to 41<sup>st</sup>.

Alaska’s motor fuel tax rate of 8 cents per gallon was typical compared to other states when it was enacted in 1970. Since then, however, every other state has gradually increased its fuel tax rates while Alaska has remained frozen in time. After adjusting for inflation, an 8 cent fuel tax rate in 1970 is the equivalent in purchasing power to 52 cents today. In other words, Alaska’s fuel tax has lost 82 percent of its purchasing power since 1970.

SB 115 does not propose an increase in aviation or jet fuels. The reason for this exclusion is because Alaska currently has a more competitive position among the other states for these fuel types, ranking 40<sup>th</sup> for aviation fuel and 36<sup>th</sup> for jet fuel.

The Finance Committee Substitute for SB 115 includes an additional biennial registration fee of \$100 for electric vehicles and \$50 for hybrids. The purpose for this fee is to provide equity and capture some revenue from electric vehicles that don’t contribute to highway maintenance through the motor fuel tax. The revenue generated from this fee will be deposited into the highway maintenance account.

Adjusting Alaska’s motor fuel tax rates will take a meaningful step toward our ability to fund the state’s backlog of transportation infrastructure and maintenance needs along with improving our state’s general fiscal stability.

Please join me in supporting this long overdue bill.

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