Fiscal Note

State of Alaska
2021 Legislative Session

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

Identifier: HB104-DOR-TAX-02-27-21
Title: MOTOR FUEL TAX; VEHICLE REG. FEE
Sponsor: JOSEPHSON
Requester: (H) 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)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2022**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
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**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	1,500.0		3,700.0	3,600.0	3,600.0	3,500.0	3,400.0
1249 Motor Fuel (DGF)	12,200.0		31,350.0	30,940.0	30,530.0	30,120.0	29,700.0
Total	**13,700.0**	**0.0**	**35,050.0**	**34,540.0**	**34,130.0**	**33,620.0**	**33,100.0**

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2022) 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If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/21

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division: Tax Division — Date: 02/27/2021
Approved By: Brian Fechter, Administrative Services Director — Date: 02/27/21
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

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Analysis

Background

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since its inception. Over the years, the tax rate has increased to account for inflation and public need. The motor fuel tax is assessed and collected monthly.

The highway tax rate was last increased in 1970; marine rate in 1977; aviation and jet fuel rates in 1994. The last major changes to the program were in 2008 when the motor fuel tax was suspended effective September 1, 2008, to August 31, 2009. In 2015, HB 158 was passed which added a surcharge of $0.0095 to certain motor fuels as well as other refined fuels such as home heating oil. The Legislature may appropriate revenue from the surcharge for the oil and hazardous substance release prevention and response fund.

This bill would do six things: (1) impose new registration fees on electric vehicles, vehicles using alternative fuel sources, and plug-in hybrid vehicles; (2) increase the motor fuel surcharge from $0.0095 per gallon to $0.015 per gallon; (3) increase the motor fuel tax rates for dealers and users of highway fuel and gasohol from $0.08 per gallon to $0.16 per gallon; (4) increase the motor fuel tax rates for dealers and users of marine fuel from $0.05 per gallon to $0.10 per gallon; (5) increase the refund for fuel that is used off the road system from $0.06 per gallon to $0.12 per gallon; and (6) create a refund for fuel used in certain commercial fishing vessels of $0.05 per gallon. This bill does not increase the rates for aviation gasoline or jet fuel. The bill would have an effective date of January 1, 2022.

The Department of Administration would administer and collect the registration fees and deposit the proceeds into the special highway fuel tax account under AS 43.40.010(g). Proceeds from the surcharge would be deposited into the General Fund but are set aside for appropriation for the benefit of the Alaska Department of Environmental Conservation's Spill Prevention and Response Division. Proceeds from the tax on highway fuel, gasohol, and marine fuel are deposited into specific infrastructure maintenance accounts in the General Fund.

Revenue Impact

Before accounting for commercial fishing related refunds, the estimated motor fuel tax revenue increase from this bill would be $13.3 million in FY2022 and $34.2 million in FY2023, decreasing to $32.4 million in FY2027. Of the motor fuel tax impacts, marine fuel (without any commercial fishing vessel related refunds) represents $2.2 million for FY2022 and $5.7 million for FY2023, decreasing to $5.4 million in FY2027. The department does not have sufficient information to estimate the revenue impact of the allowed refund of $0.05 per gallon for marine fuel used by a vessel for commercial fishing, so this fiscal note assumes that half of the marine fuel increase would be refunded. The estimated additional funds generated by the proposed motor fuel tax changes would be considered Designated General Fund revenue, as funds are deposited in the special highway fuel tax account and the special watercraft fuel tax account within the general fund.

The estimated refined fuel surcharge revenue increase from this bill would be $1.5 million for FY2022 and $3.7 million for FY2023, decreasing to $3.4 million in FY2027. The additional surcharge funds would be considered Unrestricted General Fund revenue but are customarily intended to support the Department of Environmental Conservation's Spill Prevention and Response Division.

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Revenue estimates are based on the Department of Revenue Fall 2020 revenue forecast. 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 tax change.

For FY2022, revenue estimates represent five months of collections at the new tax rates, and account for the fact that the second half of the fiscal year, on average, typically has slightly lower fuel consumption than the first half of the fiscal year.

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 the Department.

Resources required to implement this bill would include staff time to updated tax forms, TRMS, and Revenue Online, collect and administer the new tax, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing resources.