

A photograph of the Alaska State Capitol building, a large, multi-story structure with a classical facade featuring numerous windows and columns. The building is set against a clear blue sky, and a snow-capped mountain is visible in the background. An American flag flies on a tall pole to the right of the building. The text "SB 3002" is overlaid in large white letters across the center of the image.

SB 3002

Senator Tom Begich
Senate Resources Committee
September 9, 2021

SB 3002: An Omnibus Revenue Bill

Extend

Extend the Corporate Net Income tax to non-publicly traded companies earning at least \$4 million per year.

(Sections 1 & 7)

Increase

Increase Motor Fuel taxes, which haven't been raised in decades and lost purchasing power over time.

(Sections 2-5, 8-10)

Reduce

Reduce the per barrel oil tax credits established in 2013. Establish a new cap at \$5 per barrel.

(Sections 6, 8-10)

Recent Legislative History: Corporate Income Taxes for S- and/or C- Corporations

- 32nd Legislature (2021):
 - SB 106 – No hearings. Referred to Senate Resources and Senate Finance
 - HB 130 – Heard once in House Resources
- 31st Legislature (2019-2020):
 - SB 186 – No hearings. Referred to Senate Resources and Senate Finance
- 30th Legislature (2017-2018):
 - HB 36 – Heard three times in House Labor & Commerce
 - HB 309 – No hearings Referred to House L&C and House Finance

Recent Legislative History: Motor Fuel Taxes

- 32nd Legislature (2021):
 - HB 104 – Passed out of House Transportation, heard three times in House Finance.
- 31st Legislature (2019-2020):
 - SB 115 – Passed Senate 12-5 in March 2020. Passed out of House Transportation and House Finance. Calendared for House Floor in March 2020, but was held and did not come up for a vote when Legislature recessed.
- 30th Legislature (2017-2018):
 - HB 60 – Passed out of House Transportation. Heard once in House Finance. Was not heard during First Special Session.
 - SB 25 (companion bill): Passed out of Senate Transportation. Heard once in Senate Finance. Was not heard during First Special Session.
- 29th Legislature (2015-2016):
 - HB 158 – Passed into law to establish the refined fuel surcharge to provide funds to the Spill Prevention and Response Fund.
 - HB 249 – Passed out of House Transportation. Heard in House Finance.
 - SB 132 – passed out of Senate Transportation. No hearings in Senate Finance.
 - HB 4001 / SB 4001 – Omnibus Tax bill. Heard once in House Finance, once in Senate Labor & Commerce.

Recent Legislative History: Per Barrel Oil Production Tax Credits

- 32nd Legislature (2021):
 - SB 107 – No hearings. Referred to Senate Resources and Senate Finance.
 - HB 3007 – Heard today in House Ways & Means
- 31st Legislature (2019-2020):
 - SB 129 – No hearings. Referred to Senate Resources and Senate Finance.
- 30th Legislature (2017-2018):
 - HB 111 – Changes considered, but per barrel credits were left unchanged before it passed into law. Net Operating Loss Credits were repealed.
 - HB 411 – Considered in House Finance. Did not pass out of committee.
- 29th Legislature (2015-2016):
 - HB 247 – Changes considered, but left unchanged before passed into law.
 - HB 326 – No hearings. Referred to House Resources & House Finance.

Corporate Income Tax

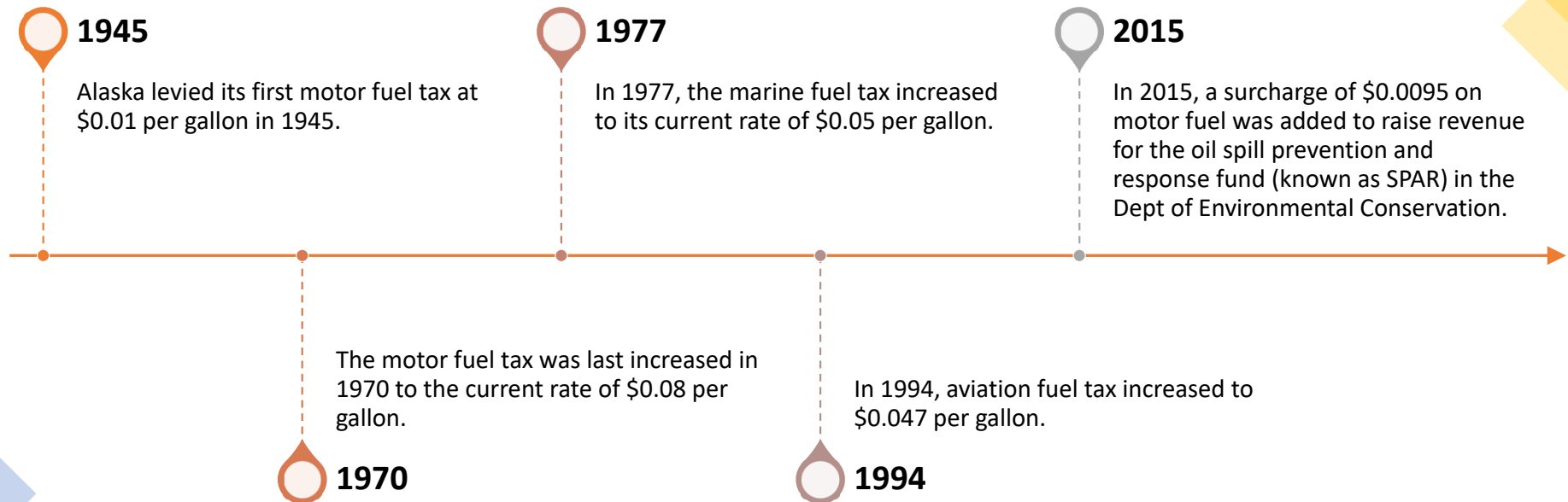
Currently, Alaska's corporate income tax structure does not require income tax payments from companies that do not register with the IRS as public C-corporations and earn more than \$4 million in taxable net income.

SB 3002 would apply a 9.4% net income tax to sole proprietorships, partnerships, S corporations and C corporations that make at least \$4 million in profits. The tax rate applies only to the profits over this \$4 million threshold.

Motor Fuel Taxes

- When enacted in 1970, \$0.08 tax on motor fuel would be worth \$0.54 today.
- The average cost of a gallon of gas in the US was \$0.36 per gallon in 1970. As of 2021, it is \$2.94 per gallon.
- Alaska's fuel tax has lost 85 percent of its purchasing power to help pay for highway, ferry, and harbor maintenance.

Motor Fuel Taxes: Brief History



Motor Fuel Taxes: How does Alaska compare?

- Alaska ranks 50th in the nation for highway and marine fuel tax rates.
- Passage of this bill would move Alaska up to 43rd in the nation for highway fuel taxes and remain at 50th for marine fuel taxes.
- The national average for State motor fuel taxes is nearly 26 cents per gallon.
- This bill does not impact aviation fuel. Alaska remains competitive among the lowest in the nation for aviation and jet fuel tax rates.

Source: American Petroleum Institute, "Gasoline Taxes," 7/1/2021

Motor Fuel Taxes: Revenue Estimates

Highway Fuel	Marine Fuel	Refined Fuel Surcharge	Total Annual Increase
<ul style="list-style-type: none">• \$29.7 million to \$31.4 million	<ul style="list-style-type: none">• \$5.4 million to \$5.7 million	<ul style="list-style-type: none">• \$3.4 million to \$3.6 million	<ul style="list-style-type: none">• \$38.5 million to \$40.7 million

Per Barrel Oil Production Tax Credits

- Alaska Statute 43.55.024(j) establishes nontransferable oil production tax credits, passed in 2013 under SB 21.
- SB 3002 repeals subsection (j)(1-4).
- Establishes a new credit cap at \$5 per barrel if the average gross value at the point of production (GVPP) for the month is less than \$110 per barrel.
- Maintains the existing sliding scale formula.
- Estimated new revenue:
 - \$110 Million in FY22 to \$440 Million in FY30

In Total: Estimated Revenue Increase

<i>Estimates based on LFD extrapolation of DOR's 8/10/21 presentation to FPWG</i>									
<i>(\$millions)</i>	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Oil Tax Credit Reduction	110	167	206	245	284	323	362	401	440
Motor Fuel Tax	18	36	36	36	36	36	36	36	36
Expand Corporate Income Tax	67	47	49	51	53	55	57	59	61
Total	195	249	290	332	373	414	455	496	537

Thank you!

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Appendix: How much would Alaskans pay for increased motor fuel taxes?

Number of Registered Passenger Vehicles, Motorcycles and Pickups (non-commercial): 625,183

Average Miles per Year per vehicle (Alaska): 9,111 miles

Average Miles per gallon (US): 18.1

Average Gallons of Fuel per year (9111 miles / 18.1 MPG): 503

Annual Cost per Vehicle (503 x \$0.08 current tax): \$40.24

Annual Cost per Vehicle, with new tax rate (503 x \$0.16): \$80.48