

STATE OF ALASKA

THE LEGISLATURE

1988

Source

CSHJR 68(Trsp)

Legislative
Resolve No.

93



Urging Congress to restore the exemption from the federal excise tax on taxable fuels for certain diesel fuel users.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the State of Alaska has an extensive coastline, an economy dependent on resource extraction and development, and long transportation lines between principal commercial centers; and

WHEREAS transportation, commerce, and economic development in the state are greatly dependent on the use of tax exempt fuels, especially diesel fuel, by marine fuel consumers and by other fuel users engaged in resource development and transportation; and

WHEREAS the federal government has long exempted from the excise tax diesel fuel sold by a wholesale dealer to the ultimate consumer of the fuel; and

WHEREAS, under the provision that allowed tax-free sales for certain exempt sales purposes, most Alaskans who purchased diesel fuels for off-road use involving, among other activities, commercial fishing, timber, mining, farming, ranching, and marine transportation operations, did not pay the federal excise tax; and

WHEREAS the Omnibus Budget Reconciliation Act (P.L. 100-203) requires the collection of diesel fuel taxes at the wholesale level and repeals the provision allowing tax-free sales of diesel and other fuels for certain exempt purposes; and

WHEREAS, under that Act, effective April 1, 1988, except for sales of fuel destined for use as heating oil, all sales involving diesel fuel beyond the wholesale level are subject to the excise; and

WHEREAS, to implement authority given to the United States Treasury to make exemptions from the tax, regulations proposed by the Internal Revenue Service establish a system by which persons who qualify for exemption from the federal excise tax and who claim the benefit of exemption may, with documentation of the fuel's nontaxable use, apply for a refund of the amount of the excise tax that the person has paid, either quarterly, if the person pays more than \$1,000 per calendar quarter, or annually, as an adjustment to the person's individual income tax; and

WHEREAS the tax collection procedure imposed by this Act requires each purchaser of diesel fuel in the marketing chain to remit the tax, adding to the heavy cash flow burden of each party; and

WHEREAS the repeal of the exemption and substitution of the refund system will have a generally negative effect on the state's domestic economy by reducing the profit margins of many small ventures engaged in commercial fishing, timber, mining, farming, ranching, and marine transportation operations, and other resource extraction and development activities; and

WHEREAS, in a highly competitive seafood industry that is undercapitalized and often economically uncertain, repeal of the exemption and imposition of the federal excise tax, even with a refund provision, will have an extraordinarily detrimental effect by making it more difficult for domestic marine fuel suppliers and consumers who use the fuel in fishery activities to compete against foreign flag operators;

BE IT RESOLVED by the Alaska State Legislature that the Alaska Congressional delegation is urged to introduce and support passage of legislation restoring the exemption from payment of the federal excise tax on sales of diesel fuel in place of the amendments made by the Omnibus Budget Reconciliation Act.

COPIES of this resolution shall be sent to the Honorable Lloyd Bentsen, Chairman of the Senate Committee on Finance; the Honorable Dan Rostenkowski, Chairman of the House Committee on Ways and Means; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.