



## **Bill Analysis**

Section 1 of the bill expresses a legislative intent to encourage municipalities to assume responsibility for harbors within their boundaries and to impose municipal motor fuel taxes to maintain those harbors.

Section 2 amends AS 29.45 by authorizing municipalities to impose taxes on motor fuel.

Sections 3 and 4 amend AS 43.40.010(a)-(b) to allow a municipal motor fuel tax on fuel used in or on watercraft to reduce the corresponding state 5 cent tax by a maximum of 3 cents. The reduction in the state motor fuel tax rate extends to sales and consumption within a qualified municipality. A qualified municipality is one that has assumed all responsibility for operation and maintenance of state harbors within its boundaries.

Section 5 provides that the bill is effective July 1, 2000.

The department is very concerned with the practical aspects of administering a motor fuel program where the state and municipal taxes on one gallon of motor fuel may attach at different points. It is also possible that municipalities may define motor fuel differently from the state definition, and the bill does not address refund situations. Overall, the bill as drafted fails to achieve conformity between the state and municipal tax systems, both in substance and procedurally such as with establishing filing and payment periods, and will create extensive and perhaps insurmountable problems for the department in trying to reconcile whether a particular gallon of fuel qualifies for a reduction and in what municipality.

**ALASKA DEPARTMENT OF REVENUE**  
Income and Excise Audit Division

Marine Fuel Tax for Harbor Maintenance  
HB 243  
January 26, 2000  
Page 3 of 3

**FY 99 ACTUALS\***

GALLONS		REVENUE	
GAS	DIESEL	GAS	DIESEL
10,204,183	122,165,135	\$510,209	\$6,108,257
<b>TOTAL</b>		<b>\$132,369,318</b>	<b>\$6,618,466</b>

**Taxable Gallons (@ \$.05/gallon)**

\* These numbers are preliminary unreconciled estimates. Additionally, because of timely filing credits, timing differences and the exclusion of off-highway gallons, FY 99 calculated revenue will not correspond exactly to the amount of revenue received in FY 99.

**\*\*Maximum Projected Decrease to the State**

PROJECTED REVENUES						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
State Revenue @ \$.02/gallon (@95% gallons)	2,515,017	2,515,017	2,515,017	2,515,017	2,515,017	2,515,017
State Revenue @ \$.05 Gallon (@5% gallons)	330,923	330,923	330,923	330,923	330,923	330,923
Total Projected Revenue	\$ (6,618,466)	\$ (6,618,466)	\$ (6,618,466)	\$ (6,618,466)	\$ (6,618,466)	\$ (6,618,466)
Maximum Projected Decrease to State	\$ (3,772,526)	\$ (3,772,526)	\$ (3,772,526)	\$ (3,772,526)	\$ (3,772,526)	\$ (3,772,526)

Assumptions include the following: (1) marine fuel consumption remains at the FY 99 level, (2) compliance with the marine fuel statutes remains the same, (3) all communities that can take advantage of the local tax option do so and (4) five percent of total fuel is sold in unorganized communities. Although the general trend in marine gallons has been down from FY 93, it appears that the trend downwards leveled off in FY 98 and increased slightly in FY 99.