

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSHB 249(TRA)
Fiscal Note Number:	2
(H) Publish Date:	2/29/2016

Identifier: HB249-DOR-TAX-2-26-16
 Title: ELECTRONIC TAX RETURNS & MOTOR FUEL TAX
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

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)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
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		46,600.0	46,600.0	0.0	0.0	0.0	0.0
---------------------------	--	----------	----------	-----	-----	-----	-----

Estimated SUPPLEMENTAL (FY2016) cost: 50.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
 (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? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Revised based on changes in House Transportation committee

Prepared By: Ken Alper, Director

Division: Tax

Approved By: Jerry Burnett, Deputy Commissioner

Agency: Department of Revenue

Phone: (907)465-8221

Date: 02/26/2016 05:00 PM

Date: 02/27/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since the inception. Over the years, the tax rate has increased to account for inflation and public need. The motor fuel tax is charged 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 the legislature passed HB 158 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.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel, to new tax rates that range from \$0.10 per gallon to \$0.16 per gallon. The increase is contingent on the price of oil remaining below \$85 per barrel. Regardless, the increase sunsets at the end of Fiscal Year 2018, with the rates reverting to the current level. DOR forecasts prices well below \$85 through the end of FY2018.

The bill also adds new tax exemptions for emergency vehicles and school buses for which the school district receives state funding. We do not have an estimate for any reduction in revenue due to the addition of these exemptions. Additionally, a waiver from the 5c increase was added for marine fuel purchased for the purpose of commercial fishing.

Revenue Impact

DOR estimates that increasing the tax rates will more than double tax collections, with additional revenue of approximately \$46.6 million per year for the years in which the increases are in effect. This is \$2.4 million per year less than prior estimates, due to the removal of commercial fishing from the increase to the marine fuel tax. Of this, approximately \$0.2 million will be shared with municipally owned airports. The remaining funds will be paid into the general fund and distributed to the special aviation fuel account, the special watercraft fuel account, and the special highway fuel tax account. These accounts are used to fund aviation facilities, water and harbor facilities, and for the maintenance of highways, construction of highway projects and ferries, and other highway costs.

Estimates are based on the fall 2015 revenue forecast. The estimates assume that 60% of the additional revenue raised from aviation gasoline will be shared with municipalities. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase.

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.

Additional analysis is needed to determine the cost of implementing the new marine fuel exemption. Because in nearly all cases the marine fuel tax will be included within the fuel price at purchase, there may be a very large increase in applications for tax refunds from individual fishermen, which may require additional staff resources, possibly one