

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSHB 4003(FIN)
Fiscal Note Number:	2
(H) Publish Date:	6/4/2016

Identifier: HB4003CS(FIN)-DOR-TAX-6-3-16
 Title: MOTOR FUEL TAX
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: House Finance Committee

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		39,500.0	39,500.0	39,500.0	39,500.0	39,500.0	39,500.0
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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 If yes, by what date are the regulations to be adopted, amended or repealed?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 to incorporate amendments made in the House Finance Committee

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 Agency: Department of Revenue

Phone: (907)465-8221
 Date: 06/03/2016 04:00 PM
 Date: 06/03/16

**REPORTED OUT OF
HFC 06/04/2016**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on motor fuel since 1945, which 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.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel. The tax rate for highway fuel would rise from \$0.08 to \$0.16 per gallon; for marine fuel, from \$0.05 to \$0.10 per gallon; for jet fuel, from \$0.032 to \$0.065 per gallon; and for aviation gasoline, from \$0.047 to \$0.07 per gallon. The increases take effect on July 1, 2016.

For fuel sold at international airports, the jet fuel tax remains the current 3.2 cents. This reduces the fiscal impact of the bill by an estimated \$3.3 million based on the assumption that 75% of taxable fuel is purchased at these airports. There is also a price trigger that would reduce the highway fuel tax at oil prices above \$100 per barrel, which has no impact within the forecast period.

DOR estimates that increasing the motor fuel tax rates approximately double tax collections, with additional revenue of approximately \$40 million per year. Of this, approximately \$0.2 million would be shared with municipally owned airports.

Estimates are based on the fall 2015 revenue forecast. 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.