

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSSB 86(FIN)
Fiscal Note Number:	3
(S) Publish Date:	4/7/2015

Identifier: SB086-DOR-TAX-04-03-15
 Title: REFINED FUEL SURCHARGE; MOTOR FUEL TAX
 Sponsor: MICCICHE
 Requester: Senate 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)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
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	7,600.0		7,750.0	7,900.0	8,050.0	8,200.0	8,350.0
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Estimated SUPPLEMENTAL (FY2015) cost: 50.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) 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? Yes
 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/15

Why this fiscal note differs from previous version:

Third version. Changes in F S(FIN) committee substitute added exemption for aviation fuel sales while raising the surcharge rate to balance the reduction in the volume of taxable fuel.

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 Agency: Department of Revenue

Phone: (907)465-8221
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REPORTED OUT OF
SFC 04/06/2015

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

Bill Analysis

The legislation creates a new surcharge of 0.95 cents per gallon on certain refined fuels sold in Alaska. The funds are intended, subject to appropriation, to provide an additional source of revenue for the Oil and Hazardous Substance Release Prevention Account. This account, which has historically been funded by the Oil and Gas Conservation Surcharge (also known as the "nickel a barrel tax,") funds the operations of the Spill Prevention and Response (SPAR) division at the Department of Environmental Conservation.

The surcharge will be collected from qualified fuel dealers, who are generally importers and wholesalers of fuel as well as some in-state refiners. This is the same group of companies who currently file Alaska's motor fuel excise tax. That tax, which varies from 3.2 to 8 cents per gallon, is only paid on certain types of fuel with a broad list of exemptions defined in statute. The intent of this bill is to apply the surcharge to a wider range of refined fuel, including some products exempted from the motor fuel tax.

Revenue Impact

In Fiscal Years 2012 through 2014, the motor fuel tax was paid on an average of 620 million gallons of various fuels. In those years, the taxpayers reported total fuel sales of nearly 1,600 million gallons, with the difference being either tax-off sales or tax-on sales later refunded because the fuel was used for an exempt purpose.

Due largely to constitutional concerns (e.g. commerce clause) as well as concern over federal grant restrictions, several categories of fuel sales are also exempt from the new surcharge in this legislation. These include sales to the federal and state government, fuel exported out of the country, fuel used in aviation, and transfers among qualified dealers. With these adjustments, it is estimated that the surcharge will apply to about 800 million gallons of refined fuel in the first year. At 0.95 cent per gallon, this represents annual revenue of approximately \$7.6 million in FY16, with an estimated 2% increase per year afterwards.

Implementation Cost

This legislation creates a new fuel type within the motor fuel tax system, which will require the Department of Revenue to update its Tax Revenue Management System and Revenue Online System which allows a taxpayer to file a return online. The update would consist of redesigning, developing, and testing the system to add the new fuel type with its exemptions. We would also need to redesign the current tax return to add the surcharge.

The supplemental fiscal note figure of \$50.0 in FY15 is to cover the costs of updating the systems and form as well as to draft regulations for this new surcharge on a relatively fast track in advance of the sponsor's desired effective date of July 1, 2015. This may require the department to hire temporary or contract staff to assist in drafting regulations and making adjustments to our system and tax forms. We do not anticipate any continuing costs or additional staff needs the tax administration and audit functions will be absorbed within our existing Excise Tax group. Should the number and complexity of tax filings exceed our initial expectations, we may need to revisit this in a future budget year.