

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	SB 25
Fiscal Note Number:	1
(S) Publish Date:	1/18/2017

Identifier: DOR-TAX-1-12-17
 Title: MOTOR FUEL TAX;TRANSPORTATION MAINT.
 FUND
 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)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
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

1250 UGF Rev (UGF)		(35,700.0)	(36,000.0)	(36,200.0)	(36,500.0)	(36,900.0)	(37,200.0)
1251 Non-UGF (Other)		76,000.0	117,100.0	117,900.0	118,900.0	119,800.0	120,900.0
Total	0.0	40,300.0	81,100.0	81,700.0	82,400.0	82,900.0	83,700.0

Estimated SUPPLEMENTAL (FY2017) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Initial Version

Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax Division	Date:	01/12/2017 01:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	01/12/17
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 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. Additionally, a surcharge of slightly less than 1 cent per gallon is added to the tax on most refined fuels as of July 1, 2015 to support Spill Prevention and Response.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel in two steps: On July 1, 2017, 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 \$0.064 per gallon; and for aviation gasoline, from \$0.047 to \$0.094. On July 1, 2018, the tax rate for highway fuel would rise to \$0.24; for marine fuel to \$0.15; for jet fuel to \$0.096; and for aviation gasoline to \$0.141.

DOR estimates that increasing the motor fuel tax rates approximately double tax collections in FY18 and triple tax collections in FY19 and beyond, with eventual additional revenue of approximately \$80 million per year. Of this, approximately \$0.4 million would be shared with municipally owned airports.

Estimates are based on annual statewide taxable consumption of approximately 370 million gallons of highway fuel, 120 million gallons of marine fuel, 130 million gallons of jet fuel, and 10 million gallons of aviation gasoline.

Estimates are based on the fall 2016 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 one-time fiscal note figure of \$50.0 in FY17 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.

Fund Changes

Currently, aviation motor fuel taxes are considered Other Restricted funds for budget purposes, and remaining motor fuel taxes are considered Unrestricted General Fund revenue. This legislation maintains aviation fuel taxes as Other Restricted and changes the remaining motor fuel taxes from unrestricted to designated general funds. In doing so, it creates several new funds within the general fund. The legislature may use these funds to support highway maintenance, water and harbor infrastructure, and similar needs.

In the table on page 1 of this document, this change in designation is reflected by reducing the current forecasted revenue from Unrestricted General Funds by the fall forecast for non-aviation motor fuel taxes. Meanwhile, for non-aviation motor fuel taxes, the entire revenue amount (both current forecast and the tax increases contained within this bill) are added as designated general funds. For aviation motor fuel taxes, the amount of the tax increase is added as Non-UGF (designated) revenue.