

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	HCS CSSB 115(FIN)
Fiscal Note Number:	5
(H) Publish Date:	3/24/2020

Identifier: SB115HCS(FIN)-DOR-TAX-3-23-2020
 Title: MOTOR FUEL TAX; EV REG. FEE
 Sponsor: BISHOP
 Requester: (S) FIN

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)

	FY2021	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2021 Request	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
OPERATING EXPENDITURES	FY 2021	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	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None	***		***	***	***	***	***	***
Total	***	0.0	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
 (Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/20

Why this fiscal note differs from previous version/comments:

Updated to reflect House Finance committee amendments including Jan 1, 2021 effective date and increase in refined fuel surcharge.

Note: Revenue estimates have not been adjusted to account for recent economic events.

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 Date: 03/23/2020
 Date: 03/23/20

**REPORTED OUT OF
HFC 03/23/2020**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

Analysis

Background

This bill would increase the tax rates of highway fuel, gasohol, and marine fuel, as well as refunds for fuel used off the road system. It would increase the per-gallon tax rates for dealers and users of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16, and marine fuel from \$0.05 to \$0.10. It would also increase the per-gallon refund for fuel that is used off the road system from \$0.06 to \$0.12 (effectively doubling the off-road use tax from \$0.02 to \$0.04). The bill allows for a refund of \$0.05 per gallon for marine fuel used in vessels for commercial fishing. Aviation fuel tax rates would not change under this bill. This bill would also increase the refined fuel surcharge from \$0.0095 to \$0.015 per gallon. This bill would also add special registration fees for electric and hybrid vehicles, but these fees would be collected by the Department of Administration and do not directly impact the Department of Revenue (DOR). The effective date of this bill would be January 1, 2021.

Revenue Impact

The change in revenues is indeterminate, primarily because the department is unable to estimate the revenue impact of the allowed refund of \$0.05 per gallon for marine fuel used by a vessel for commercial fishing. Before accounting for these refunds, increasing the motor fuel tax rates would increase collections for FY 21 by roughly 50% and double tax collections in FY22 and beyond. This would equate to \$16.9 million in FY21 and \$33.3 million in FY22, decreasing to \$31.0 million in FY26, before accounting for these refunds. Total revenue from marine fuel included in these estimates is \$2.8 million for FY21 and \$5.5 million for FY22, decreasing to \$5.3 million in FY26. Additionally, the increase in the refined fuel surcharge would generate \$1.8 million in FY21, \$3.5 million in FY22 and in FY23, \$3.4 million in FY24 and in FY25, and \$3.3 million in FY26. Motor Fuel tax receipts would be deposited in the Motor Fuel Tax fund, while surcharge receipts would be deposited into the Oil Spill Prevention and Response fund.

Revenue estimates are based on DOR's Fall 2019 Revenue Sources Book. Estimates were based on gallons of motor fuels reported on tax returns and tracked in the Tax Revenue Management System (TRMS), combined with U.S. consumption projections from the federal Energy Information Agency. At this time, estimates have not been updated to reflect recent economic events, and thus reflect a scenario in which any impacts on non-aviation fuel use are limited to 2020 only. Also, the estimates make no adjustment for changes in demand due to changes in prices, or for stockpiling in advance of the tax increase.

The increase in the refund for fuel that is used off the road system is included in this estimate. The additional funds would be considered Designated General Fund Revenue, as funds are deposited in the special highway fuel tax account and the special watercraft fuel account within the general fund. The special highway fuel tax account is used for the maintenance of highways, the construction of highway projects and ferries, and other highway costs. The special watercraft fuel account is used to fund water and harbor facilities.

Increasing the refined fuel surcharge would increase collections for by about \$1.8 million FY 21 and \$3.5 million for FY22, decreasing to \$3.3 million in FY26. The additional funds would be considered Unrestricted General Fund Revenue but are intended to support the Department of Environmental Conservation's Spill Prevention and Response Division.

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. This fiscal note has no additional funding needs but that is conditional on pending TRMS budget requests. If the operating budget increment for FY 2021 for the Tax Division is approved, the division would be fully funded for the ongoing operations and maintenance of TRMS and would not need funding for this request. If the operating budget increment is not approved, then the division would need \$50,000 capital funding to make the programming changes required by this bill.